Member Audit Bureau of Circulations

CONTENTS

Vol. 41 No. 5 **December 31st, 1927**

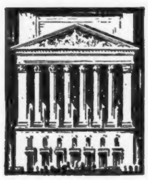
The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, and the Investment and Business Forecast, issued weekly

Copyrighted and published by the Ticker Publishing Co., 42 Broadway, New York, N. Y. C. G. Wyckoff, President and Treasurer. E. D. King, V.-Pres. and Managing Editor. Victor E. Graham, V.-Pres. and Advertising Manager. The information herein is obtained from reliable sources, and, while not guaranteed, we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE, $7.50 a year, in advance. Foreign subscribers please send international money order for U. S. Currency, including $1.00 extra for postage (Canadian 50 cents extra).

TO CHANGE ADDRESS—Write us name and old address in full, new address in full, and get notice to us three weeks before issue you desire sent to the new address.

EUROPEAN REPRESENTATIVES: The International News Company, Ltd., Breams Building, London, E. C. 4, England.



WITH THE EDITORS

Subjects to be Covered in This Publication During 1928

TOWARD the close of the year, it became evident that a totally new set of conditions in addition to some of those which operated in 1927 would have to be considered in estimating financial and business possibilities for the coming year. Among the most important of these is the political situation. With the elimination of President Coolidge from the Presidential campaign, the way is opened to political manipulation and the uncertainties to which this may give rise. Politics will undoubtedly blow hot and cold and the national sentiment will be affected accordingly. We expect therefor to cover political developments of importance.

Another factor of consequence which may affect security conditions is the money situation. Owing to conditions too varied to enumerate here, it seems that rates for money will be on a higher plane than during the past year. This factor will be closely watched and readers apprised of any important pending changes.

The fate of railroad consolidation may be settled during the next year. This will have a pronounced effect on railway security values.

The oil industry is at a critical point. Events will transpire to place the entire group of oil securities in a more interesting position than for years.

The automobile and allied industries face probably the most active period of their history. Constant attention will have to be paid to changing conditions in the industry.

The commodity price outlook is more than usually important because it is possible that speculation in securities may spread over into the commodity markets. These possibilities will be carefully noted in this publication.

Foreign trade conditions will assume more than usual importance and the same may be said of foreign financing and foreign securities. We shall cover such situations to an even greater extent than formerly.

Industries in a specially favored position will continue to make progress regardless of general conditions and the same is true of certain groups of securities. These security opportunities will be regularly brought to the attention of our readers.

In brief, the above is but a partial outline of the types of subjects to be covered in next year's MAGAZINE. We promise our most indefatigable efforts to secure the most important information on subjects relating to the manifold financial and business interests of our readers and to present them in sufficient time to be of definite value.

In the Next Issue

Annual Forecast Number

1. Eight Probable Market Leaders in 1928.
2. The Outlook for Bonds and Preferred Stocks.
3. Position and Prospects for Leading Railroad Shares—with table giving data and comment on 20 listed stocks.
4. Position and Outlook for Leading Public Utility Shares—with table giving data and comment on 20 listed stocks.
5. Position and Outlook for Leading Mining Shares—with table giving data and comment on 20 listed stocks.
6. Position and Outlook for Leading Industrial Shares—with tables giving data and comment on over 50 listed stocks.

—Many other features of great importance and bearing on the future of business and money in the coming year.

New Issue   December 16, 1927

150,000 Shares

Loew's Incorporated

$6.50 Cumulative Preferred Stock

(With Stock Purchase Warrants)

The $6.50 Cumulative Preferred Stock is to be preferred over the common stock as to cumulative dividends at the rate of $6.50 a share per annum, and as to assets, in event of liquidation, at $105 a share and accrued dividends; is to be redeemable as a whole or in part on any dividend date, on thirty days' notice, at $105 a share and accrued dividends; dividends payable quarterly on February 15, May 15, August 15 and November 15, accruing on this issue from November 15, 1927, and free of the present Normal Federal Income Tax. Preferred Stock authorized 300,000 shares, without par value; preferred stock in addition to the above 150,000 shares may be issued in one or more series, under restrictions, as to be provided in the amended certificate of incorporation. The National Park Bank of New York, Registrar. Dillon, Read & Co., Transfer Agent.

Each certificate of this issue of $6.50 Cumulative Preferred Stock will carry a warrant, detachable after July 1, 1928, entitling the holder thereof to purchase, on or before April 1, 1931, common stock in the ratio of one share of common stock for each two shares of preferred stock represented by such certificate, at $75 a share on or before April 1, 1929, and at $80 a share thereafter to and including April 1, 1931.

The company has agreed to make application to list this issue of preferred stock on the New York Stock Exchange

The following information has been summarized by Mr. Nicholas M. Schenck, President of Loew's Incorporated, from his letter dated December 15, 1927, copies of which may be obtained upon request, and is subject to the more complete information contained therein:

BUSINESS

Loew's Incorporated, a holding company, is one of the largest and most prominent factors in each of the three divisions of the motion picture industry—namely, production, distribution and exhibition. The company has shown substantial net profits in each year since organization in 1919, and is the outgrowth of amusement enterprises which have been successfully operated since 1905.

Through subsidiary and affiliated companies, Loew's Incorporated owns, leases or directs a chain of 115 theaters in the United States and Canada, not including 8 theaters now under construction in this country. Many of these theaters are the largest and most favorably located in their respective cities. This is in keeping with the company's policy of theater operation, which has been to construct or acquire theaters of large seating capacity centrally located in the principal cities of the United States. Foreign operations include the control of theaters in various European capitals, and the distribution of films throughout the world. The number of cash admissions to the company's chain of theaters during the fiscal year ended August 31, 1927, was over 100,000,000.

Metro-Goldwyn Pictures Corporation, a wholly-owned subsidiary company, ranks as one of the world's leading motion picture producing companies and has built up a high reputation for the popularity and artistry of its productions. It has been its policy to produce a limited number of feature pictures in each year, employing the best stars and directors obtainable. Film costs have been written off at a rate which absorbs 87% of the cost of each film in one year from the date of general release. Among its recent outstanding pictures, known to the public as Metro-Goldwyn-Mayer productions, have been "The Big Parade", "Ben Hur", "Student Prince", "Quality Street" and "Garden of Allah".

EARNINGS

Consolidated results of operation of Loew's Incorporated and its wholly-owned subsidiary companies, including dividends received from affiliated companies, for the six fiscal years ended August 31, 1927, have been certified by Messrs. Philip N. Miller and Company, certified public accountants, who have regularly audited the accounts of the company since its organization, as follows:

Fiscal years ended August 31	Earnings before interest, after depreciation and Federal income taxes as accrued	Interest on subsidiaries' debt	Dividends on subsidiaries' preferred stock	Interest on debt of Loew's Incorporated	Consolidated net earnings after all charges
1922	$2,585,001	$339,680	$......	$ 10,000	$2,235,321
1923	2,868,461	456,225	....	12,998	2,399,238
1924	3,535,338	530,914	78,174	47,897	2,878,353
1925	5,762,072	654,886	310,186	88,369	4,708,631
1926	7,774,386	736,461	308,559	341,166	6,388,200
1927	8,363,504	732,983	333,220	560,096	6,737,205

Consolidated net earnings of $6,737,205 for the fiscal year ended August 31, 1927, as shown above, were 6.9 times the maximum annual dividend requirement of $975,000 on this issue, and for the six-year period shown averaged over 4 times such dividend requirement.

Consolidated net earnings for the fiscal year ended August 31, 1927, as shown above, without allowing for dividends on this issue of preferred stock and giving no effect to benefits from the additional capital obtained through this financing, were equal to $6.35 a share on the common stock now outstanding.

COMMON STOCK

Based on current quotations on the New York Stock Exchange, the indicated market value of the company's common stock, of which 1,060,910 shares* are now outstanding, is approximately $60,000,000.

Quarterly dividends have been paid on the company's common stock at the rate of $2 a share per annum since December 30, 1923. Extra dividends of $1 a share were declared on the common stock in 1926 and in 1927.

*In addition to shares of common stock now outstanding, 104,870 shares are now reserved for purchase under outstanding stock purchase warrants, on or before April 1, 1931, at $55 a share, and 90,000 shares are to be reserved against stock purchase warrants, for purchase at the prices indicated above, to be issued in connection with this financing. The present capital stock of the company is referred to above as common stock.

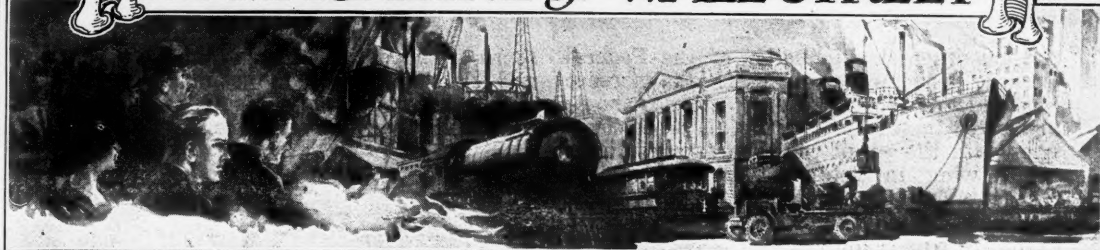
We offer this $6.50 Cumulative Preferred Stock, with stock purchase warrants attached, for delivery if, when, and as issued and accepted by us, subject to the approval of stockholders and of legal proceedings by counsel. It is expected that delivery will be made on or about January 4, 1928, in the form of temporary stock certificates and warrants of the company or interim receipts of Dillon, Read & Co.

Price $100 per share and accrued dividend. To yield 6½%

Dillon, Read & Co.

Blyth, Witter & Co.   **A. G. Becker & Co.**

The MAGAZINE of WALL STREET



C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

The St. Louis & O'Fallon Decision—Foreign Exchange Situation—Steel Prospects for 1928—Sensible Market Procedure—The Question of Bonds—Market Prospect

THE Federal Court's decision in the St. Louis-O'Fallon case upholding the contention of the Interstate Commerce Commission that valuations of railway properties be based on 1914 values, while disappointing to holders of rail shares, nevertheless has the value of bringing a final conclusion on this important question much nearer in prospect. The decision will be appealed and argued before the Supreme Court. As a matter of fact, according to some interpreters the Federal Court did not pass on the question of valuation, seemingly leaving this open to the jurisdiction of the highest Court. A difference of some eleven billion dollars is involved between the valuations tentatively fixed by the Interstate Commerce Commission and those proposed by the railways themselves. While the specific issue concerns the question of recapture of earnings by the Government over the 6% theoretically permitted the carriers, the vastly more important phase of this question involves the entire basis of valuation which would in turn involve the rate situation. It is estimated that if the railroads' idea of valuation is finally allowed, it would open up the possibility of a half billion dollar yearly increase in rates. The stupendous importance of the St. Louis-O'Fallon case accepted by both parties as a test case, may be appreciated from the foregoing figures. It is not possible in any way to forecast final decision by the Supreme Court but in the case of public utility valuation it showed that it would not hesitate to upset the lower valuation theory and substitute instead a basis of fair valuation. The railroads claim, not without justice, that to base railway valuation on 1914 values would mean confiscation. The Supreme Court has hitherto shown a disposition in public utility valuation cases to grant a basis of reasonable value and hence rates that would permit a reasonable return on invested capital. It would be a distinct surprise and shock were they to depart from their policy in this respect. From the purely market viewpoint, the St. Louis-O'Fallon decision proved depressing and may act as a wet blanket on share values for a time. This influence, however, should ultimately give way to the fundamentally favorable factors still operating on the railroad shares.

FOREIGN EXCHANGE

SINCE July, foreign exchanges, especially those of Europe, have been strong. Some of the currencies have arrived at a point, making it profitable to ship gold from the United States. Sterling has been especially strong, reaching prices not seen in many years. It is claimed that the strength in sterling is due to demand for sterling bills by European and other countries. At the same time, it must be considered that the exchanges of those countries which are buying sterling bills, are also moving up. The fact seems to be that

1907 Business, Financial and Investment Counselors "Twenty Years of Service" 1927

the low interest rate policy of the Federal Reserve Board is responsible for the increase in exchange values. Money rates at home are lower than in practically all other countries with the result that short-terms funds are flowing in volume from the United States to Europe. As long as this movement continues, it may be expected that foreign exchange will remain strong. The question is what effect would there be on exchange rates if the Federal Reserve Board, due to excess security speculation at home and rising demand for funds from commercial sources, saw fit to eliminate the present artificially low money rate situation. This latter possibility is something that may materialize in the not distant future.

STEEL PROSPECTS

THE recent advance in unfilled orders for the U. S. Steel Corporation is indicative of a change for the better in the industry. Automobile demand for steel is increasing and there are distinct prospects for better business from the railroad equipment industry which has not been much of a factor in steel for several years. Railroads while not buying as much as in recent years are nevertheless turning in substantial orders. Building demand continues satisfactory. It is confidently expected that steel production, as a result of these factors, will increase rapidly during the first quarter of 1928 with prospects that the second quarter will prove equally successful. Prices for steel products are low but show a slightly rising tendency.

MARKET PROCEDURE

UNDER the impetus of pronounced pool movements which have elevated the prices of many speculative issues far beyond any reasonable value, the public has been coming into the market in great numbers. The atmosphere of the market is distinctly speculative with little or no thought given to fundamental considerations. Under cover of successful pool manipulation, considerable distribution is going on. In similar markets of the past, unfortunate buyers who acquired the more speculative types of issues at record prices were left "holding the bag." It is probable that the same result will be encountered this time. It would seem sensible procedure to limit speculative transactions only to those stocks of assured value and whose price has not outrun such value by any considerable extent. The investor should not allow his sense of proportion to leave him at this time and should stick to the sound investment issues, reserving only a small part of his capital for speculative effort.

WHAT ABOUT BONDS?

WITH bonds at a new record peak, the problem of the investor has become more acute than ever. High-grade issues offer less than 5% and the average yield on gilt-edge bonds has sunk to about 4½%. Bond prices, of course, are inextricably woven together with the outlook for money rates. Up to the present, they have been benefiting from extraordinarily low rates. It is not without the realms of possibility, however, that rates may temporarily stiffen. In that case, bond prices would react somewhat. For the longer-range future, however, the outlook favors low money rates and, hence, sustained high levels for bonds. Investors holding bonds over a period of years should not be tempted to dispose of them at these prices merely to accept profits unless they definitely plan to repurchase after a slight reaction. Otherwise, they risk losing their position and being compelled to invest in other issues no more attractive.

MARKET PROSPECT

THE action of the market during the past two weeks indicates that it has entered a distinctly speculative stage. A number of issues have been rushed up to exceedingly high prices mainly on account of public enthusiasm, aided no doubt by the covering efforts of unhappy shorts. The public is in the market for "anything that will move" regardless of value or other fundamental considerations. The enormous turnover also suggests heavy public participation. In the search for speculative issues, securities of investment value have been neglected. This is particularly true of railroad and public utility issues which in many cases are selling on a sound basis. It is in these two fields mainly and in a selected number of reasonably priced industrial issues that the soundest opportunities exist. Investors should be warned against following up the advance in the speculative issues, particularly these selling at high prices. The market's technical position has been weakened through the past series of speculative advances and a corrective reaction is to be expected.

Tuesday, December 27, 1927.

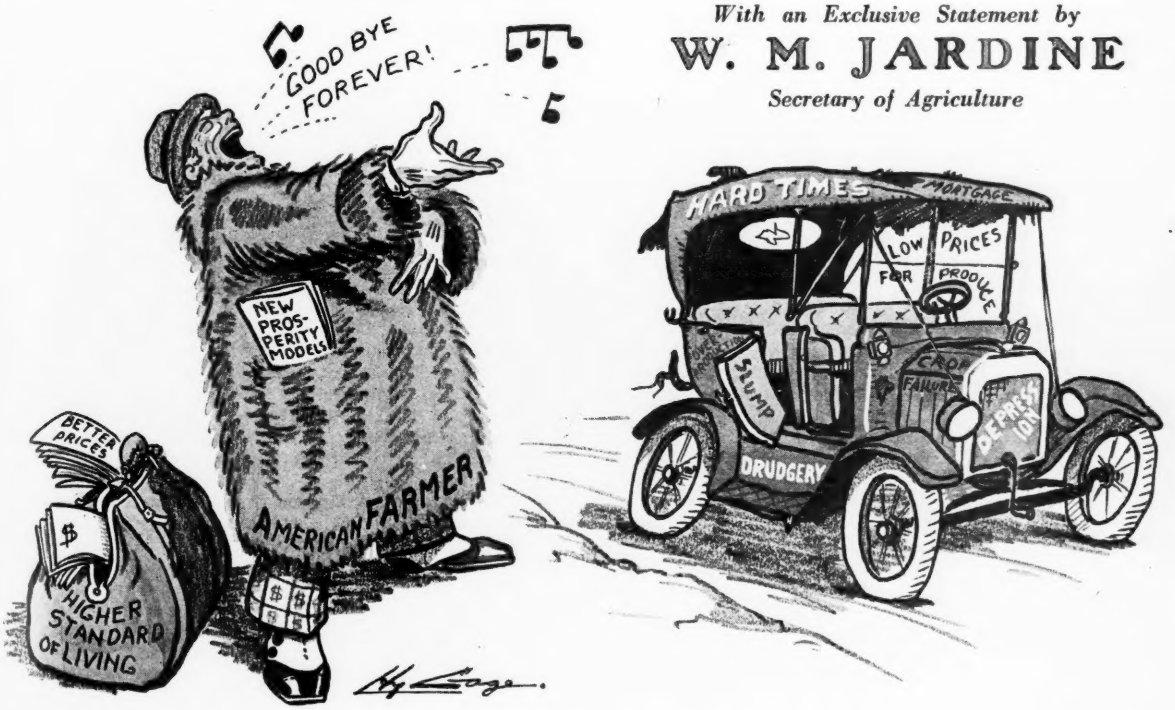
The End of Agricultural Deflation

By THEODORE M. KNAPPEN

With an Exclusive Statement by

W. M. JARDINE

Secretary of Agriculture



AMERICAN business has been so prosperous whilst agriculture has been depressed that there has been a tendency to ignore the agricultural situation in forecasting the future. If the country as a whole could bask for six years in the sunlight of unprecedented prosperity, while agriculture was wretched, why could not the contrast continue indefinitely? has been an often asked question. It has been suggested that agriculture has become such a minor factor in the national whole that the ups and downs of the farmers are no longer important elements in the sum total of our economic life.

The recession of business in the last few months has, however, caused much questioning of this urban theorizing. Perhaps, it is now suggested, the country has been prospering partly because the farmers have been paying the bills, and that that enforced sacrificial period is about over. As the index of farm product prices begins to approximate the general commodity index, robbing Peter to pay Paul approaches its period. As the farmer dips more deeply into the general trough, there is less for the "gluttons" who have held him back in the past. And now there is a tendency to ask anxiously whether he may not soon begin to fill up the trough. After all, it is remarked, the 50,000,000 rural people who live on the farms and in the small country villages, are 40% of the American population, and that if their consumption of manufactured goods should increase by even a small percentage it would have a vivifying influence on commerce and industry.

What is the outlook? Is the farmer getting into a freer spending position than he has occupied during recent years? In particular how does he fare in the Northwestern states, for so many years the very fountain of agricultural prosperity but so depressed since 1921. The answers are to be found, first of all, in the quantity of farm products; secondly, in their price; and thirdly, in their purchasing power.

The wheat crop of 1927 was 867,000,000 bushels—59,000,000 bushels above the 1922-26 average and 34,000,000 bushels above the 1926 crop. This was achieved despite a smaller winter wheat crop. The yield per acre was 14.8 bushels—a point above that of 1926 and five points above the preceding five-year average. It was, however, grown on about 2,000,000 acres more than in 1926, and also for the five-year average.

The average price paid to the farmer for wheat as a whole is considerably less than a year ago; in October it was generally about eight cents a bushel less. The crop is large enough to be on an export basis and the world crop

is large. As a whole, wheat may not yield the farmers any more than the smaller 1926 crop.

The spring wheat crop, which is mainly raised in the Northwestern states, has a far better story to tell than wheat as a whole. The crop was 314,000,000 bushels as against 205,000,000 bushels in 1926 and 252,000,000 bushels in the average of the five years immediately preceding. Moreover, it is largely of good quality; and its high protein content has been bringing much of it a premium price—as much as 65 cents a bushel over the December future. The price has averaged considerably less than in 1927, and the durum part of it has sold for as much as 42 cents lower. Montana, hit the hardest of all the wheat states in the twilight years for agriculture following 1920, came to the front with the greatest wheat crop in its history, 72,000,000 bushels.

PARTICULAR attention is called to the more favorable position of companies operating in the Northwest where, as pointed out in this article, economic conditions are steadily bettering. Among the companies whose securities should be favorably affected are some of the rails like Great Northern, Northern Pacific, Chicago Northwestern, St. Paul, Rock Island; among the utilities, Electric Light & Power, Montana Power, Standard Gas & Electric; among the farm equipment, International Harvester and Case Threshing; and among the mercantile companies, Sears, Roebuck and Montgomery Ward.

With 93% of this crop in the high grades and the protein content exceptionally high, it is probable that Montana has scored the highest quality record in the raising of wheat on the American continent. The yield per acre for so large an area —more than 3,000,000 acres—has seldom been exceeded. At the November 15 farm price of 95 cents a bushel the 1927 wheat crop is bringing Montana $68,000,000. Last year's crop brought only $45,000,000. In addition Montana has 5,000,000 more bushels of oats this year than last; 2,000,000 more of corn; a million more of wonderful barley; 1,500,000 more of potatoes; nearly a million more tons of hay; better than another million of flax, and more beans, more sugar beets, more rye, better pasture. The crop earnings of the state may go to $200,000,000; last year they were only $115,000,000.

While North Dakota could not rival Montana's better than twenty bushels of wheat to the acre, its much larger acreage gave it about twice as large a crop—125,000,000 (77,000,000 last year) bushels—of almost as good quality. On the basis of the November 15 wheat price at the farms, of $1.03 a bushel, this crop alone brings $129,000,000 into North Dakota, as compared with $90,000,000 final official estimate for last year. The corn crop was about 2,000,000 bushels less than last year, but worth 20 cents a bushel more. With 46,000,000 bushels of oats, the crop was 11,000,000 larger than in 1926.

The barley production of 43,000,000 was almost twice as large, the flax crop 60% larger, the hay crop larger by 1,400,000 tons. The rye crop was 23,000,000 bushels, against 9,000,000 in 1926. Corn, oats, barley and rye are higher than a year ago; flaxseed and hay are off a little. Hypothetically every important crop in the state brought in much more money than in 1926, when the total crop value was put at $191,000,000. It may go to $300,000,000 for 1927.

THE improving position of the farmer offers definite prospects that business itself will make a better showing at least in the first half of next year than has been the case in recent months. Fundamental prosperity cannot be maintained unless the farmers are prosperous and the fact that agriculture is on a sounder basis may be taken as a favorable symptom of future conditions in business. To business men, with interests in the Northwest, this article should be of very great value.

South Dakota rejoices in a corn crop 50,000,000 bushels larger than last year and worth somewhat more per bushel. The spring wheat crop was 3½ times as large—and of high quality. The oats crop was more than three times as large, the barley crop near four times as large, flax almost twice, and hay likewise. It was one of the biggest years in the history of the state in crop production, and also in value. It will go far to offset the bad year of 1926, when the state's crops hypothetically amounted to only $115,000,000. Returns for 1927 should be at least $150,000,000.

Minnesota had combined wheat and corn crops 33,000,000 bushels smaller than last year; the barley crop was 25% larger; potatoes 4,000,000 bushels more; flax a little less; hay nearly a million tons more; rye about 3,000,000 bushels more; oats 13,000,000 less. On the whole, the state's crops will hardly bring in as much as they did in 1926. Minnesota stands about at the top of the potato states, but the price is very unsatisfactory this year.

On the other hand, it must be remembered that Minnesota has the most diversified farming of all the northwestern states. It is a leading dairy, egg and poultry state, it is a heavy producer of hogs, a big feeder of cattle. It does not experience the agricultural ups and downs of the Dakotas and Montana. If it has not done so well in crops this year as last it fared better last year—far better—than its neighbors to the west. Minnesota's dairy income alone is estimated at $174,000,000.

In considering the economic position of these states, as well as others, the dramatic comeback of beef cattle must be taken into consideration, as also the long continued good prices for lambs and veal, the fair price for hogs and the prosperity of wool growing. For the first half of 1926 the production of dressed beef, veal, lamb and mutton was somewhat less and that of pork considerably more than for the same period of 1926.

Nothing promises more for the future of the range states and, eventually, of the corn belt states than the revival of the long-depressed beef industry. Beef cattle are even higher in price than last year; higher in fact than for seven years. The ranges are being restocked with high-grade animals, stock is going into the winter in excellent condition and the pasturage is good. Western feeding areas are running twice as many lambs as last year. The whole picture of conditions in the mountain states is a favorable one.

Idaho, Washington, Oregon and California had around 168,000,000 bushels of wheat, against less than 120,000,000 bushels in 1926, including both spring and winter wheat. California had a hundred thousand more tons of sugar beets. The hay crop in Washington, Oregon and California was about the same as a year ago; their total barley crop was somewhat smaller, oats larger, potatoes likewise. The North Pacific states' apple crop is smaller but the price is 30% better.

The corn belt states will probably do about as well as the average of recent years. The corn crop is 10% larger than last year, with prices about 20 cents a bushel higher. In the eastern and central part of the corn belt the crop was below last year's, but in the West much larger. Nebraska's crop was nearly twice as large and Kansas' three times. Kansas, like other winter wheat states, had an inferior wheat crop this year, but the improvement in corn more than offset the decline in wheat.

"We have a corn crop that came out of the obscurity of a doubtful spring," sings a lyric statistician of Kansas, "into the summer of a glorious promise and an autumn of fullest fruition; a large increase of milo, kaffir and feterita that struggled to start but came into its birthright in the long glory of the Indian summer, a hay and forage crop such as makes all the barn storage look like tiny attics and dots every meadow with cones and ricks of magnificent proportions. For the highest light of

all, Kansas had a real pasture season, with the kind and quantity of grass that marbles the lean with the fat, and that glorified good cattle for the river markets at prices that weekly established new peace-time records."

The corn belt, as a whole, is, however, up against the old dilemma of hog prices versus corn prices. Corn is up and hogs are somewhat down. Most corn is sold in the form of hogs and beef. The price of beef justifies the price of corn but the price of hogs does not, although the ratio has improved of late.

The cotton belt, from a crop of less than $13,000,000 bales, against 18,000,000 in 1926, will realize $150,000,000 more from the lint alone, with the seed additional "velvet." The transformation from the dreary cotton outlook of a year ago has been amazing, and must be largely attributed to deliberately curtailed production.

The tobacco growing sections are far better off than last year. The dairy industry has had a big year. With the exception of potatoes (the crop of which is 44,000,000 bushels larger) most of the fruit and vegetable staples are bringing higher prices than last year.

Estimates of the net increase in agricultural income this year are not yet possible. The Department of Commerce calculates the total value of fifty important crops at $8,428,626,000, which is an increase of 635 million dollars in excess of 1926 harvests. This total, however, excepts the value of animals and animal products, which must be included for accurate comparison, still open to conjecture. Notwithstanding the splendid position of the beef industry, there are fewer cattle in the corn belt feed lots, in reflection of the depletion of the range supplies in recent years. Add to this the decline in the price of hogs during the year, combined with the later high price of corn, and computation of total income from this source becomes very difficult.

Aside, however, from actual valuations there is the general improvement of feeling that usually follows large crops —if prices are not ruinous—and the stimulation of trans-

(Please turn to page 470)

The Recovery of Agriculture

W. M. JARDINE

Secretary of Agriculture

Average Prices of Farm Products Received by Producers

(Department of Agriculture)

Average of reports covering the United States, weighted according to relative importance of district and State.

	5-yr. av. Aug., 1909-July, 1914	Oct. average 1910-1914	Oct., 1926	Sept., 1927	Oct., 1927
Cotton, per lb., cents...	12.4	12.1	11.7	22.5	21.0
Corn, per bu., cents.....	64.2	64.8	74.5	95.3	87.6
Wheat, per bu., cents..	88.4	88.1	121.4	119.2	113.7
Hay, per ton, dols.....	11.87	11.49	13.08	10.51	10.63
Potatoes, per bu., cents.	69.7	65.0	126.4	107.4	97.9
Oats, per bu., cents....	39.9	38.4	39.0	43.9	44.6
Beef cattle, per 100 lbs., dols.	5.22	5.09	6.43	7.42	7.55
Hogs, per 100 lbs., dols.	7.23	7.37	12.06	9.78	10.16
Eggs, per doz., cents...	21.5	23.7	36.8	29.4	35.6
Butter, per lb., cents....	25.5	26.1	41.8	41.7	43.4
Butterfat, per lb., cents	...	...	42.4	41.6	44.4
Wool, per lb., cents....	17.7	16.9	31.6	31.2	30.9
Veal calves, per 100 lbs., dols.	6.75	6.80	10.29	10.78	11.04
Lambs, per 100 lbs., dols.	5.91	5.35	11.31	11.14	11.22
Horses, each, dols.....	142.00	140.00	77.00	78.00	76.00

ON fewer acres, and with a farm population three million less than in 1919, the agricultural industry since 1923 has averaged a larger volume of production than in the years immediately following the war. Since June, 1921, when the depression was at its worst, the unit buying power of farm products has increased more than 35 per cent. This means that agriculture has regained more than three-fourths of the buying power it enjoyed per unit of product before the long period of decline.

The net income of the agricultural community will probably be larger this year than last, although the total crop production is apparently slightly less. It is of especial interest that areas where distress has been most acute and demoralizing in recent years have this year both good crops and good prices. The northwestern spring wheat country has fared particularly well, notably Montana, with crops 58 per cent above the last ten-year average; the Dakotas, Nebraska, Idaho and Oregon, with 10 to 20 per cent better crops than usual. The cotton belt is better off this year with a smaller crop than it was a year ago with a larger total yield.

On the whole, I think it is safe to say that the particular and general economic trends now favor the farmer, and probably will do so for the most part for some years to come. I do not mean to say that the farmer's troubles are over, by any means, but to suggest that fundamental causes of them, which are largely beyond his control, are steadily weakening or disappearing.

Price Indexes of Farm Products for October, 1927

(Department of Agriculture)

FARM PRODUCTS

(Prices at the farm; August, 1909–July, 1914=100)

	October, 1926	September, 1927	October, 1927
Cotton	94	181	169
Corn	116	148	136
Wheat	137	135	129
Hay	110	89	90
Potatoes	181	154	140
Beef cattle	124	143	145
Hogs	167	135	140
Eggs	171	137	166
Butter	164	164	170
Wool	178	175	174

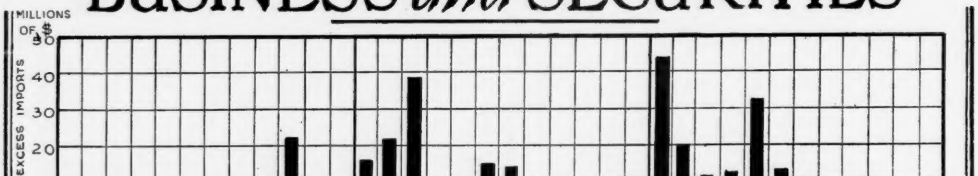
RELATIVE PURCHASING POWER

(Department of Agriculture)

(At October, 1927, farm prices; August, 1909–July, 1914=100)

	Of a unit of—				
In terms of—	Cotton	Corn	Wheat	Hay	Potatoes
All commodities	111	89	84	59	92
Cloths, etc.	93	75	71	49	77
Fuel, etc.	93	75	70	49	77
Metals, etc.	134	108	102	71	111
Building materials	104	84	79	55	86
House-furnishing goods	104	83	79	55	86
In terms of—	Beef cattle	Hogs	Eggs	Butter	Wool
All commodities	95	92	108	111	114
Cloths, etc.	80	77	91	93	95
Fuel, etc.	79	77	91	93	95
Metals, etc.	115	111	131	135	137
Building materials ...	89	86	102	104	107
House-furnishing goods	89	86	101	104	106

EFFECT *of* GOLD EXPORTS *on* MONEY BUSINESS *and* SECURITIES



By H. PARKER WILLIS

WITHIN the past few weeks the attention of the financial community on both sides of the Atlantic has been strongly caught and held by the resumption of gold shipments to London. There has been the usual meaningless comment to the effect that they were merely "commercial transactions" or normal movements and more to the same effect.

This sort of commentary has not been even as acceptable as usual, because of the fact that for some months past explanation of Federal reserve discount rates has been based upon the statements that it was desired to protect the gold supply of the Bank of England. Moreover, it is well known that buying for British Treasury account is going on.

The public, of course, knows, when it has looked into the matter at all, that the report of the Currency Committee which originally brought about the return of Great Britain to a gold basis (theoretically) in 1925, urged the amalgamation of the bank notes of the Bank of England with the currency issue put out by the British Government during the war, and looked forward to some date "early in 1928" as a time for amalgamating the two types of currency and establishing a suitable gold reserve behind them. The approach of the time set by the Currency Committee and the extraordinary efforts and precautions that have been taken by the Bank of England within recent months point to a renewal of the effort, thus far none too successful, to accumulate an adequate gold stock in England, and to go back to the gold standard in fact as well as in theory.

"A Larger Plan"

This situation in England coincides with a peculiar state of things in the United States as regards the American gold supply. It is generally supposed that the United States is carrying a very large quantity of gold and in fact, absolutely stated, it is. Due to the inflation which has gone on in the United States in recent years, and which has enlarged our individual bank deposits by about one-quarter their amount since 1923, the actual percentage of actual reserve money in the United States (outside and inside the banks) is small, being computed at not much more than 8%.

In view of this condition of affairs it was the opinion of some Americans who testified before the Indian Currency Commission in London about eighteen months ago, that this country could not afford to "release" any gold. Notwithstanding this point of view on the part of many, the Federal Reserve System has been doing what it could to stimulate exports of gold, and has developed a plan for the restoration of the gold standard not merely in Great Britain but throughout the world.

This plan has never before been made known,—in fact its details are not known today. The first announcement of it, so far as can be ascertained, was made by Secretary of the Treasury Mellon, in a report sent to Congress December 7, 1927. In that report, he makes a statement which may become historic, as follows: "The present transitional stage through which the nations are passing in their progress toward the return to a gold basis has placed peculiar responsibilities on the United States as the custodian of nearly half of the world's monetary gold. . . . . Large movements of gold to and from the United States have continued. . . . . The huge movement of gold . . . would in the absence of offsetting influences have created serious disturbance in credit conditions in this country. . . . . Federal reserve policy during the year [1927] as during several preceding years, has been an important influence in avoiding still heavier gold movements. By their purchase of $62,000,000 of gold abroad in May, the reserve banks without doubt kept that gold from coming to this country. . . . . The country's total gold stock on October 31, 1927, was $4,548,000,000 compared with $4,554,000,000 on October 31, 1924. For this result, reserve policy is, at least in part, responsible, not simply through specific operations designed to deal with gold movements, *but principally by the pursuance of a larger plan, which has had as its objective the restoration of the gold standard throughout the world,* and which has found expression in the granting of credits to a number of the European banks of issue, and in a discount and open market policy which as far as possible, has avoided a rate position which would attract gold to this country and would put a strain upon the European money market."

Summarizing this statement of the Secretary of the Treasury we may say that in his view the situation on this side of the water is as follows: Federal reserve banks have for years kept gold out of this country and are arranging by their credits and rates to keep still more out and to drive it abroad so far as feasible. Thus we apparently have an official intent on this side of the water to eliminate gold here just as we have an official disposition in Europe to attract it.

It so happens that some other influential factors have

also made their appearance. There are several European countries of the minor group such as Norway, Jugoslavia, Esthonia and others which are believed to be getting ready to stabilize their currencies. They will, in some cases, probably want some gold, certainly some gold exchange. What Italy would want in connection with her currency operations is not certain, but there is a belief that she will want to increase her gold supply by drawing cash from elsewhere.

Not only is this true, but the low discount rates made in the United States which have resulted in an excessively high stock market, now offer very successful opportunities for profit taking on the part of foreign buyers of American bonds and stocks. A good many of them have been taking their profits of late. Moreover, we have a good deal overdone the new issue business for a long time past. It seems probable that our new issues for the year 1927 will amount to not less than $3,000,000,000 of bonds and notes of domestic securities, while in addition our new issues of similar foreign securities inclusive of short term accommodation is likely to go up to something like $1,500,000,000 for the year. These are immense figures, and they, particularly the foreign issues, suggest strongly the influence that is being produced upon our balance of trade, and the consequent pull that is being given to foreign countries upon our gold, if they want to exercise it. Foreign banks now have about $2,000,000,000 on deposit here. Our heavy exports of merchandise continue but our imports are also heavy, and it is likely that for the twelve months of the year we shall have a balance in our favor of possibly $500,000,000 to $700,000,000. This, however, is comparatively small as such balances go, and is much more than offset by our invisible obligations incurred as a result of the financing already referred to.

How Much Gold Can We Lose?

These conditions make the question a very practical and proper one: How much gold can we lose? Of course this means how much gold are we willing to lose? We are in a position which will enable us to control this movement of gold about as we see fit were we disposed to do so.

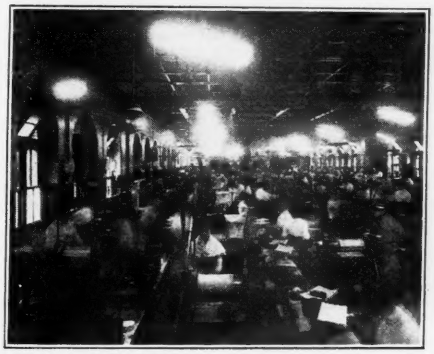
Let us discard first of all the whole supposition that for some mysterious reason, "exchange" has turned against us, so that gold is "naturally" flowing out of the country as the result of some "reserve policy." The truth of the matter is that our discount rates here have been so low that we have attracted to our banking institutions a great deal of short-term financing which would ordinarily have been placed in Great Britain to cover our shipments of cotton, wheat and other staples during the late summer and autumn months. The bills representing these shipments have been maturing and will for the most part, have to be paid in the early future, so that we face the probability of receiving rather than of shipping gold after the present artificial "movement," which is so far of limited scope and only arranged, thus far, for the time being, shall have terminated.

So the question how much gold we "can" lose or how much of the metal we are "willing" to lose converts itself into a financial

(*Please turn to page* 476)

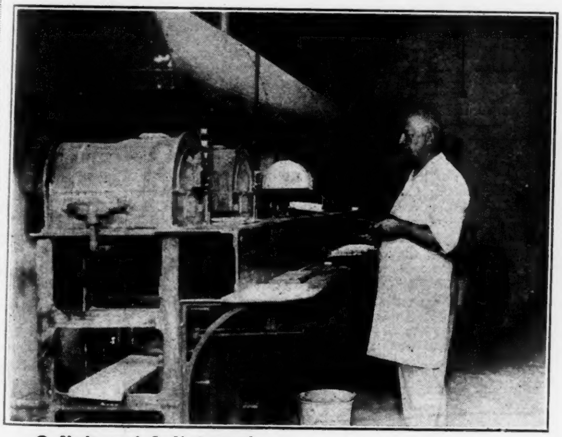
Engraving Machines Used in Making Stamps and Paper Money

Finished Engravings Ready for the Press



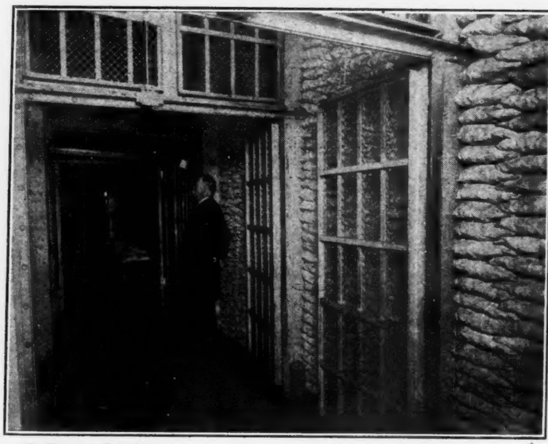
© *Harris & Ewing*

Printing Paper Money



© *Underwood & Underwood*

Gold being placed in a refining furnace



© *Brown Brothers*

Bags of foreign gold stored in the Sub-Treasury

The Investment Holdings of America's Greatest Philanthropic Foundation

The Rockefeller Foundation

Name BONDS	Amount	Foundation's Total Ledger Value (in thousands)
Amer. Telephone & Telegraph Co., 30-year Coll. Trust	$100	$97
Armour & Co., Real Estate First Mortgage	1,000	932
Atlantic & Birmingham Ry. First Mortgage (Certificates of Deposit)	677	358
Atlantic Refining Co., Notes	400	398
Atlantic Refining Co., Notes	400	398
Baltimore & Ohio R. R. Refunding and Gen. Mtge.	650	648
Canada Southern Ry. Consolidated Mtge. Series "A"	37	37
Chicago & Alton R. R. Refunding Mortgage	551	358
Chicago & Alton Ry. First Lien	854	452
Chicago City & Connecting Railways Collateral Trust (Certificates of Deposit)	1,305	678
Chicago, Milwaukee & St. Paul Ry. General Mtge. Series "A"	30	29
Chicago, Milwaukee & St. Paul Ry. General Mtge. Series "C"	500	515
Chicago, Milwaukee & St. Paul Ry. Debenture (Certificates of Deposit)	450	236
Chicago, Milwaukee & St. Paul Ry. General and Refunding Mortgage Series "A" (Certificates of Deposit)	500	262
Chicago, Milwaukee & St. Paul Ry., Receivers Equipment Trust Series "D"	1,862	1,829
Chicago & North West. Ry. Sinking Fund Debenture	80	81
Chicago Railways Co., First Mortgage	500	485
Cleveland, Cincinnati, Chicago & St. Louis Ry., St. Louis Division Collateral Trust	73	65
Cleveland, Cincinnati, Chicago & St. Louis Ry. Gen.	700	587
Cleveland Short Line First Mortgage	500	475
Colorado Industrial Co., First Mortgage	2,050	1,640
Dominion of Canada, Government of, 15-year	500	472
Erie R. R., Gen. Mtge. Con. 50-year Series "B"	1,065	795
Illinois Central R.R. Refunding Mortgage	300	261
Illinois Central R. R., Equipment Trust Certificates Series "M"	1,040	1,024
Interborough Rapid Transit Co., First Mortgage (Stamped)	1,750	1,695
International Mercantile Marine Co., First and Collateral Trust Sinking Fund	2.848	2,776
Interstate Natural Gas Co., Inc., First Mtge. Ten-year Sinking Fund with warrants attached	2,000	2,100
Lake Erie & Western R. R., Second Mtge.	100	100
Lake Shore & Michigan Southern Ry., First Mtge.	926	805
Lake Shore & Michigan Southern Ry., Debenture	1,673	1,539
Missouri, Kans. & Texas R.R., Prior Lien Series "A"	331	260
Missouri, Kans. & Texas R.R., Prior Lien Series "B"	331	213
Missouri, Kansas & Texas R. R., Adjustment Series "A"	96	59
Morris & Essex R. R., First and Refunding Mgte.	175	144
Mutual Fuel Gas Co., First Mortgage	250	250
National Railways of Mexico, Prior Lien Fifty-year Sinking Fund with July 1, 1914 and subsequent coupons attached	50	30
Secured 6% Notes for coupon due January 1, 1914	1	..
Certificate Series "A" Interest in arrears	7	..
Certificate Series "B" Interest in arrears	13	..
New York Central Lines Equipment Trust of 1913	72	71
New York Central & Hudson River R. R., 30-year Debenture	330	291
New York, Chicago & St. Louis R. R., First Mtge.	35	33
New York, Chicago & St. Louis R. R., Debenture	1,303	1,133
New York Connecting R. R., First Mortgage	500	478
Northern Pacific Ry., Refunding & Improve. Mtge.	390	357
Pennsylvania R. R., Consolidated Mtge. Sterling	£2	11
Pennsylvania R. R., General Mortgage	1,500	1,473
Pennsylvania R. R., Equipment Trust Certificates Series "D"	390	384
Philadelphia & Reading Coal & Iron Co., Refunding Sinking Fund	167	157
Pittsburgh, Cincinnati, Chicago & St. Louis Ry., Consolidated Mortgage Series "I"	500	515
Reading Co., General and Refunding Series "A"	333	313
Rutland R. R., First Consolidated Mortgage	25	22
St. Louis-San Francisco Ry., Prior Lien Series "A"	1,500	1,091
Seaboard Air Line Ry. Adjustment Mortgage	455	350
Southern Pacific Co., Equipment Trust Certificates Series "I"	1,100	1,083
Southern Pacific R. R. First and Refunding Mtge.	100	86
Standard Oil Co. (New Jersey), 20-year Gold Debentures	10,000	10,050
United States Fourth Liberty	1,375	1,002
United States Second Liberty, Converted	$2,100	$1,953
United States Gov. Treasury Notes Series "B"	3,000	3,000
United States Gov. Treasury Notes Series "A"	4,000	4,000
Wabash R. R., Second Mortgage	120	117
Washington Ry. & Electric Co., Consolidated Mtge.	450	375
Western Maryland R. R., First Mortgage	1.032	814
Wheeling & Lake Erie R. R., Equipment Trust Series "B"	50	49
Total Bonds		$52.314

Name STOCKS	Number of Shares	Foundation's Total Ledger Value (in thousands)
American Ship Building Co., Common	24,260	$1.314
Anglo-American Oil Co., Ltd. (Par £1)	366,517	6.917
Anglo-American Oil Co., Ltd. (Par £1) Non-voting	122.172	2.305
Atchison, Topeka & Santa Fe Ry., Preferred	5,000	491
Atchison, Topeka & Santa Fe Ry., Common	21.100	2.009
The Buckeye Pipe Line Co. (Par $50)	49.693	4.969
Central National Bank, Capital	950	168
Chehalis & Pacific Land Co., Capital	220	3
Chicago City & Connecting Rys., Participation Certificates Preferred	17,530	262
Chicago City & Connecting Rys., Participation Certificates Common	10,518	21
Chicago & Eastern Illinois Ry., Preferred	3.000	102
Cleveland Arcade Co., Capital	2,500	246
Cleveland Trust Co., Capital	457	89
Colorado & Southern Ry., First Preferred	4.800	259
Consolidated Gas Co. of New York, Common (No par value)	40,000	2,423
Continental Oil Co. (Par $10)	100.000	695
The Crescent Pipe Line Co. (Par $25)	14.120	494
Cumberland Pipe Line Co.	6,000	244
Eureka Pipe Line Co	12,357	2,001
Galena-Signal Oil Co. Preferred	4.193	585
Galena-Signal Oil Co. Common	20.000	1.016
Great Lakes Towing Co. Preferred	1,527	135
Great Lakes Towing Co. Common	1.200	14
Indiana Pipe Line Co. (Par $50)	24.845	2.611
Kanawha & Hooking Coal & Coke Co. Preferred	202	20
Kanawha & Hocking Coal & Coke Co. Common	668	60
Manhattan Ry. Capital (Modified Guarantee)	10.000	1.000
Missouri, Kansas & Texas R. R. Co. 7% Preferred	9.531	381
National Transit Co. (Par $12.50)	126,481	3.604
New York Transit Co	12,392	1.511
Northern Pacific Ry. Common	700	64
Northern Pipe Line Co	9,000	855
Pere Marquette Ry. Preferred	5.740	313
Provident Loan Certificates ($1.000 par)	242	242
The Solar Refining Co	9,076	839
Southern Pipe Line Co. (Par $50)	24,845	2,111
South West Pennsylvania Pipe Lines	8,000	1,000
Standard Oil Co. (Indiana) (Par $25)	460,760	19,973
Standard Oil Co. (New Jersey) Common (Par $25).	919.500	33.538
Standard Oil Co. (New Jersey) Common (Par $25) Rights	919,500	.....
The Standard Oil Co. (Ohio) Common	33.912	3,459
The Standard Oil Co. (Ohio) Preferred Non-voting Cumulative	17,088	1,811
Tilden Iron Mining Co. Capital	1,780	48
Union Tank Car Co. Capital	60,000	1,606
Western Pacific R. R. Corporation Preferred	28,609	878
Wilson Realty Co. Capital	591	59
Women's Hotel Co. (in Liquidation) Capital 80% Paid	300	.....
Total Stocks	.....	$102,764

NOTE—**Investors should be able to gain a good idea, from this tabulation, of the way in which very large investors place their funds in securities.**

How Great Foundations Handle Their Investment Funds

By GUSTAVUS MYERS

HOW many people realize that American philanthropic foundations have at least $1,000,000,000 of aggregate funds? What attention is ever given to the ways in which these are invested or their bearing upon the investment market?

When founded at varying periods from sixteen years to a quarter of a century ago, some of the better known of these foundations were heralded with wide publicity. The Rockefeller and the Carnegie Foundations, for example, were then viewed either as great benefactions or as potential dangers. The U. S. Commission on Industrial Relations in 1915 reported that they might develop into special agencies, using their funds to shape educational policies and influence public opinion.

HEREWITH are present for the first time, in any American publication, the complete investment holdings of the three largest American foundations—The Rockefeller Foundation, General Education Board and the Carnegie Corporation of New York. The financial aspect of these organizations remains a closed chapter to investors. Hence, we are pleased to have the opportunity of presenting this interesting data to our readers.

After the excitement attending their formation had passed away, the notice given to their activities became and has remained so perfunctory that comparatively few persons know precisely the nature of their humanitarian and other work. A still more obscure subject in the general mind is the character of their investments. If these foundations owned vast areas of real estate and towering buildings their holdings would be permanently obvious, and would undoubtedly furnish the topic of frequent articles conspicuously reminding people of what the foundations owned. The wealth of the foundations is not less actual than real estate but it is in the less visible form of stocks and bonds representing financial ownership. The customary attitude has been to accept the fact as granted that the foundations held large sums of money and rest satisfied with that vague knowledge.

Even among those knowing that stocks and bonds are the basis of foundations, the tendency often is to class all such institutions as having the same general kinds of ownership. From an investment point of view, however, the security composition of foundations may widely differ.

The predominant essential of the Rockefeller philanthropies is not that of the Carnegie concerns. Stocks are the mainstay of the Rockefeller, and bonds that of the Carnegie institutions. Of $155,000,000 vested in the Rockefeller Foundation, more than $102,000,000 is in stocks; $52,314,000 is embodied in bonds. Actual value of its stock holdings is unquestionably much more; the amount reported of its stocks is a conservative ledger value and not market value.

The same is true of the General Education Board listing Rockefeller donations amounting to more than $97,000,000, and of the Laura Spelman Rockefeller Memorial, the principal of the fund of which is approximately $73,000,000. Nearly three-fourths—doubtless more if market value be computed—of the General Education Board's investments were comprised in the $71,000,000 of stocks it owned. In bonds, it had $26,227,000. The International Education Board, another Rockefeller foundation, recently reported having a fund of $18,600,000, of which $11,595,000 represented stocks, and the remainder secured demand loans.

On the other hand, funds of the Carnegie Corporation (the name of the chief Carnegie philanthropy), amounting to nearly $124,000,000, are composed of bonds reaching nearly $117,000,000 in book value. Bonds in the reserve and other accounts bring the total to more than $121,000,000. Stock holdings are insignificant.

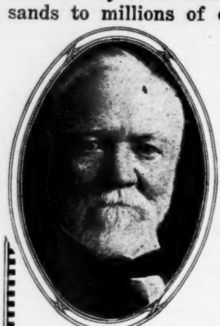
These foundations are only several of a large number in the roster of greater foundations. The Carnegie Institute and Library has a fund of $36,000,000; the Carnegie Institute of Washington $22,000,000; the Carnegie Foundation for the Advancement of Teaching $28,250,000; the Carnegie Endowment for International Peace $10,000,000; and the Carnegie Hero Fund $5,000,000.

The Duke Endowment, made in 1924 by James B. Duke, who derived his fortune from tobacco products manufacture, amounts to at least $57,000,000. A large part of this has been a gift to Trinity College in North Carolina, which accepted his condition of changing the name to Duke University. Holdings of the Hershey Fund, established by Milton S. Hershey, chocolate manufacturer, amount to approximately $40,000.000 all contributed by Mr. Hershey for the Hershey Industrial School at Hershey, Pa. The Kresge Foundation, formed by Sebastian S. Kresge, owner of a chain of five- and ten-cent stores, was endowed in 1924 with $2,000,000, to which he has since added 500,000 shares of the S. S. Kresge Company, having a present market value of $36,000,000. The Commonwealth Fund, established in 1918 by Mrs. Stephen V. Harkness, wife of a Standard Oil Company magnate, has been increased from time to time and now amounts to about $38,000,000. The Russell Sage Foundation has a $15,000,000 fund.

Of the lesser foundations there are scores, many of which are seldom

John D. Rockefeller
Founder of the Rockefeller Foundation

heard of publicly. Their funds range individually from a few hundred thousands to millions of dollars. Typical smaller foundations are the John Simon Guggenheim Foundation with a $3,000,000 fund; the Wieboldt Foundation in Chicago with a fund of $4,500,000; the George H. Marsh Foundation in Ohio, with several million dollars; the Leopold Schepp Foundation with $3,500,000, and the Juilliard Musical Foundation also in New York City, endowed with $12,000,000. The more than 100 lesser foundations in the United States have total funds probably exceeding $100,000,000.



The community trust is another and less personal form of foundation. Instead of administering a single individual's donations, it is a central receiving agency for gifts, large or small, made by many persons desiring the safeguarding of their donations or legacies. The plan is that of creating in each city a community trust administered by a committee. Usually the funds are deposited with particular

Securities Held by Carnegie Corp. of N.Y.

ENDOWMENT FUND BONDS	Par Value (in thousands)	Book Value (in thousands)
Alabama Power Co.,		
First Lien & Ref. 5s, June 1, 1951	$200	$190
Alberta (Province of),		
Deb. 5s, April 15, 1950	300	302
Allegheny Valley Ry. Co.,		
Gen. 4s, March 1, 1942	25	24
Atchison, Topeka & Santa Fe Ry. Co.,		
Gen. 4s, Oct. 1, 1995	357	327
Adj. 4s, July 1, 1995 (Stamped)	50	42
Bessemer & Lake Erie R. R. Co.,		
Albion Eq. Tr. 5s, June 1, 1931-34	350	353
Bessemer Eq. Tr. 5s, March 1, 1927	110	111
Euclid Eq. Tr. 5s, July 1, 1932-33	500	500
Meadville Eq. Tr. 5s, March 1, 1927-31	275	277
Bethlehem Steel Co.,		
P. M. 6s, August 1, 1998	500	535
Buffalo, Rochester & Pittsburgh Ry. Co.,		
Cons. 4½s, May 1, 1957	300	313
Central Pacific Ry. Co.,		
Ref. 4s, August 1, 1949	500	480
Chicago & Alton R. R. Co.,		
Ref. 3s, October 1, 1949	500	400
Chicago, Burlington & Quincy R. R. Co.,		
Gen. 4s, March 1, 1958 (Registered)	950	907
Gen. 4s, March 1, 1958	250	215
Illinois Div. 1st 3½s, July 1, 1949	113	98
Chicago, Indiana & Southern R. R. Co.,		
First 4s, January 1, 1956	500	460
Chicago, Lake Shore & Eastern Ry. Co.,		
First 4½s, June 1, 1969	500	530
Chicago, Milwaukee & Puget Sound Ry. Co.,		
First 4s, January 1, 1949	275	252
Chicago, Milwaukee & St. Paul Ry. Co.,		
Deb. 4s, July 1, 1934	500	474
Gen. 4s, Ser. A, May 1, 1989	1,400	1,389
Chicago & Western Indiana R. R. Co.,		
Cons. 4s, July 1, 1952	250	199
Cleveland & Pittsburgh R. R. Co.,		
Gen. 4½s, Ser. A, January 1, 1942	50	52
Gen. 4½s, Ser. B, October 1, 1942	49	51
Gen. 3½s, Ser. B, October 1, 1942	25	21
Gen. 3½s, Ser. C, November 1, 1948	62	53
Gen. 3½s, Ser. D, August 1, 1950	15	12
Cleveland Union Terminals Co.,		
First S. F. 5½s, Ser. A, April 1, 1972	25	24
Commonwealth Edison Co.,		
First Col. Tr. 5s, Ser. A, July 1, 1953	50	49
First Col. Tr. 5s, Ser. B, June 1, 1954	150	149
Erie & Pittsburgh R. R. Co.,		
Gen. 3½s, Ser. B, July 1, 1940	75	65
Gen. 3½s, Ser. C, July 1, 1940	107	83
Florida East Coast Ry. Co.,		
First & Ref. 5s, Ser. A, September 1, 1974	500	496
Florida Power & Light Co.,		
First 5s, January 1, 1954	70	65
Frick Coke Co., H. C.,		
P-M 1st Lien P. M. 5s, July 1, 1927-44	93	97
Great Britain & Ireland (United Kingdom of),		
Twenty-year 5½s, February 1, 1937	250	261
Illinois Central R. R. Co.,		
Louisville Division & Terminal,		
First 3½s, July 1, 1953 (Registered)	300	254
Louisville, New Orleans & Texas Ry Co.,		
Col. Tr. 4s, November 1, 1953	200	160
Indiana & Michigan Electric Co.,		
First & Ref. 5s, March 1, 1955	100	97
Jamestown, Franklin & Clearfield R. R. Co.,		
First 4s, June 1, 1959	214	177
Japanese (Imperial) Government,		
External Loan 30-Yr. S. F. 6½s, Feb. 1, 1950	115	111
Kansas City Power & Light Co.,		
First 30-Yr. 5s, Ser. A, September 1, 1952	100	99
Kansas City Terminal Ry. Co.,		
First 4s, January 1, 1960	100	82
Lake Shore & Michigan Southern Ry. Co.,		
Gen. 3½s, June 1, 1997 (Registered)	250	215
Lehigh Valley R. R. Co.,		
Cons. 4s, May 1, 2003	300	252
Louisville & Nashville Ry. Co.,		
Unified 4s, July 1, 1940	100	94
Minneapolis, St. Paul & S. Ste. Marie Ry. Co.,		
Cons. 4s, July 1, 1938	212	189
Minnesota Power & Light Co.,		
Ref. 5s, June 1, 1955	100	97
Missouri, Kansas & Texas R. R. Co.,		
Adj. 5s, January 1, 1967	125	68
Prior Lien 5s, Ser. A, January 1, 1962	$125	$101
Prior Lien 4s, Ser. B, January 1, 1962	62	41
Monongahela Southern R. R. Co.,		
First 5s, October 1, 1955	487	566
Montreal (City of),		
5s, November 1, 1942	50	48
5s, September 1, 1943	225	219
5s, September 1, 1958	285	279
Morris & Essex R. R. Co.,		
Ref. 3½s, December 1, 2000	250	213
New York Central R. R. Co.,		
Cons. 4s, Ser. A, February 1, 1998	700	654
New York, Chicago & St. Louis R. R. Co.,		
Deb. 4s, May 1, 1931	850	779
New York Edison Co.,		
First Lien & Ref. 5s, Ser. B, October 1, 1944	150	150
New York, New Haven & Hartford R. R. Co.,		
Deb. 4s, May 1, 1956	1,000	964
Norfolk & Western Ry. Co.,		
Division 1st Lien & Gen. 4s, July 1, 1944	250	245
Northern Pacific Ry. Co.,		
Ref. & Imp. 4½s, Ser. A, July 1, 2047	400	388
Ref. & Imp. 6s, Ser. B, July 1, 2047	100	104
Ref. & Imp. 5s, Ser. C, July 1, 2047	25	23
Prior Lien 4s, January 1, 1997	250	203
Northern States Power Co.,		
First & Ref. 25Yr. 5s, Ser. A, April 1, 1941	200	192
Oregon Short Line R. R. Co.,		
Cons. 1st 5s, July 1, 1946	150	138
Ottawa (City of),		
5½s, July 1, 1942	50	51
5½s, July 1, 1943	50	51
Pacific Gas & Electric Co.,		
First & Ref. 5½s, December 1, 1952	150	149
Pacific Telephone & Telegraph Co.,		
Ref. 30-Yr. 5s, May 1, 1952	100	94
Pennsylvania R. R. Co.,		
Gen. 4½s, June 1, 1965	200	183
Cons. 4½s, August 1, 1960	350	354
Cons. 4s, May 1, 1948	315	322
Pittsburgh, Bessemer & Lake Erie R. R. Co.,		
Cons. 1st 5s, January 1, 1947	320	320
Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co.,		
Cons. 3½s, Ser. E, August 1, 1949	250	248
Cons. 4s, Ser. G, November 1, 1957	500	490
St. Louis, Iron Mountain & Southern Ry. Co.,		
Gen. Cons. Ry. & Land Grant 5s, April 1, 1931	50	47
San Antonio & Aransas Pass. Ry. Co.,		
First 4s, January 1, 1943	1,300	1,134
Seaboard Air Line Ry. Co.,		
Ref. 4s, October 1, 1959	250	203
Southern California Edison Co.,		
Gen. & Ref. 5s, February 1, 1944	160	152
Southern Ry. Co.,		
Cons. 1st 5s, July 1, 1994	50	47
Terminal R. R. Assn. of St. Louis,		
Gen. Ref. 4s, January 1, 1953	400	316
Texas Power & Light Co.,		
First 5s, June 1, 1937	100	97
Toronto (City of),		
Cons. Loan Deb, 5, October 1, 1951	100	96
5s, December 1, 1948	160	154
Union Electric Light & Power Co.,		
First Lien Gen. 5s, Ser. A, December 1, 1954	150	147
Union R. R. Co.,		
Mifflin Eq. Tr. 5s, August 1, 1927-30	480	484
Munhall Eq. Tr. 5s, June 1, 1929-34	400	403
U. S. Steel Corporation,		
S. F. 5s, April 1, 1963	2,573	2,622
Fifty-Year 5s, April 1, 1951 (Registered),		
Series A	8,350	8,350
Series B	8,350	8,350
Series C	18,225	18,225
Series D	17,125	17,125
Series E	20,125	20,125
Series F	18,125	18,125
Utah & Northern Ry. Co.,		
First 4s, July 1, 1933	250	241
West Shore R. R. Co.,		
First 4s, January 1, 2361	50	56
Winnipeg (City of),		
4½s, November 1, 1944	60	57
W. De Wees Wood Co.,		
First 5s, May 1, 1927-30	800	814
Total Bonds	$117,920	$116,760

Securities Held by General Education Board

Name STOCKS	Number of Shares	Board's Total Ledger Value (in thousands)
Anglo-Amer. Oil Co., Ltd., Capital Voting (Par £1)	386,518	$5,600
Anglo-American Oil Co., Ltd., Capital Non-Voting (Par £1)	128,839	1,866
Atchison, Topeka & Santa Fe Ry., Preferred	4,500	451
Atchison, Topeka & Santa Fe Ry., Common	3,500	373
The Atlantic Refining Co., Preferred	5,252	564
Bankers' Trust Co., Capital	888	226
The Buckeye Pipe Line Co., Capital (Par $50)	190	14
Consolidation Coal Co., Cumulative 7% Preferred	5,875	587
Consolidation Coal Co., Common	23,500	951
Denver & Rio Grande Western R. R., Cum. Pref.	1,000	49
Equitable Trust Company of N. Y., Capital	4,333	691
Great Northern Ry., Preferred	884	61
Guaranty Trust Co. of N. Y., Capital	625	168
Illinois Pipe Line Co., Capital	13,651⅔	1,908
International Harvester Co., Preferred	22,169	2,550
Manhattan Ry., Capital (Modified Guarantee)	14,414	648
National Transit Co., Capital (Par $12.50)	1,675	27
New York Central R. R., Capital	5,375	629
Norfolk & Western Ry., Common	4,860	464
Northern Pacific Ry., Capital	2,200	154
The Ohio Oil Co., Capital (Par $25)	163,460	9,454
Pennsylvania R. R., Capital (Par $50)	15,882	884
The Prairie Oil & Gas Co., Capital (Par $25)	168,396	5,696
The Prairie Pipe Line Co., Capital	64,800	3,697
South Penn Oil Co., Capital (Par $25)	210,276	8,590
Standard Oil Co. (Indiana), Capital (Par $25)	19,020	206
Standard Oil Co. (New Jersey), Common (Par $25)	737,680	22,494
Standard Oil Co. of New York, Capital (Par $25)	88,300	464
Union Pacific R. R., Common	4,830	437
United States Steel Corporation, Preferred	10,000	976
Western Pacific R. R. Corporation, Preferred	6,148	199
Total Stocks		$71,094

Name BONDS	Amount (in thousands)	Board's Total Ledger Value (in thousands)
Amer. Telephone & Telegraph Co., 30-year Coll. Trust	$100	$97
Armour & Co., Real Estate First Mortgage	380	354
Atlanta & Charlotte Air Line Ry., 1st Mtge. Series "A"	100	92
Atlantic Coast Line R. R., Louisv. & Nashv. Coll. Trust	194	170
Baltimore & Ohio R. R., Convertible	60	54
Baltimore & Ohio R. R., Ref. & Gen. Mtge. Series "A"	250	249
Beech Creek Extension R. R., 1st Mortgage	463	416
Bethlehem Steel Co., 1st & Refunding Mortgage	125	111
Brooklyn-Manhattan Transit Corp., Rapid Transit Security Sinking Fund Series "A"	1,411	945
Carolina, Clinchfield & Ohio Ry., 1st Mortgage	600	568
Carolina, Clinchfield & O. Ry., Equip. Trust Series "F"	25	25
Central Vermont Ry., Refunding Mortgage	191	172
Chesapeake & Ohio Ry., Convertible	135	126
Chicago & Alton Ry., 1st Lien (Certificates of Deposit)	144	69
Chicago & Alton R. R., Refunding Mortgage	145	85
Chicago, Milwaukee & St. Paul Ry., Convertible 20-year (Certificates of Deposit)	18	9
Chicago, Mil. & St. Paul Ry., Gen. Mtge. Series "C"	250	247
Chicago, Milwaukee & St. Paul Ry., Gen. & Ref. Mtge. Series "B" (Certificates of Deposit)	250	122
Chicago, Rock Island & Pacific Ry., Refunding Mtge.	$50	$37
Chicago, St. Paul, Minneapolis & Omaha Ry., Debenture	100	96
Cleveland, Cincinnati, Chic. & St. Louis Ry., Gen. Mtge.	50	41
Cleveland Short Line R. R., 1st Mortgage	500	483
Colorado Industrial Co., 1st Mortgage	1,177	826
Colorado & Southern Ry., 1st Mortgage	100	92
Colorado & Southern Ry., Refunding & Extension	250	213
Denver & Rio Grande R. R., 1st Consolidated Mortgage	152	121
Denver & Rio Grande Western R. R., Gen. Mtge.	175	103
Duluth, Missabe & Northern Ry., Gen. Mtge.	278	286
Erie R. R., 1st Consolidated Mtge. Prior Lien	250	211
Fairmont Coal Co., 1st Mortgage	150	143
Imperial Chinese Government Bonds of 1911	£1	3
Interborough Rapid Transit Co., 1st Mtge. (Stamped)	$600	489
Jones & Laughlin Steel Co., 1st Mtge. Sinking Fund	349	344
The Kansas City South. Ry., Ref. & Improvem. Mtge.	300	289
Lake Shore & Michigan Southern Ry., Debenture	145	140
Manhattan Ry., Second Mortgage	500	340
Morris & Essex R. R., 1st & Refunding Mortgage	144	140
New York Central & Hudson River R. R., Debenture	814	651
New York Central & Hudson River R. R., Refunding & Improvement Mortgage Series "A"	2,650	2,162
New York City Corporate Stock	100	100
New York Connecting R. R., 1st Mortgage	250	245
New York, Lake Erie & Western Docks and Improvement Co., 1st Mortgage	237	236
New York, New Haven & Hartford R. R., Debenture	145	81
Norfolk & South. R. R., 1st and Ref. Mtge. Series "A"	1,000	630
Pennsylvania Co., Fifteen-Twenty-five-year Loan, 1906	500	470
Pennsylvania R. R., Consolidated Mortgage	150	155
Pennsylvania R. R., General Mortgage	200	196
Republic Iron & Steel Co., Ten-Thirty-year Sink. Fund	350	330
St. Louis, Iron Mountain & Southern Ry., Unifying and Refunding Mortgage	309	257
St. Louis, Iron Mountain & Southern Ry., River & Gulf Division First Mortgage Thirty-year	100	82
St. Louis Southwestern Ry., 1st Consolidated Mortgage	100	66
Seaboard Air Line Ry., 1st Mortgage (Stamped)	1,142	805
South & North Alabama R. R., Gen. Cons. Mtge. 50-year	400	418
Southern Pacific Co., Convertible	172	153
Union Pacific R. R., Convertible	1,022	992
Union Pacific R. R., Ten-year Secured Notes	250	244
Union Steel Co., 1st Mortgage	200	209
United States Second Liberty Loan Converted	698	650
United States Third Liberty Loan	36	35
United States Fourth Liberty Loan	1,000	935
United States Steel Corporation, Second Sinking Fund	1,076	1,005
Western Maryland R. R., 1st Mortgage	1,656	1,349
Western Maryland Ry., Five-year Secured Notes	5,500	4,831
Wheeling & Lake Erie R. R., Ref. Mtge. Series "A"	326	189
Wheeling & Lake Erie R. R., Equip. Trust Series "B"	49	45
Wisconsin Central Ry., General Mortgage	428	374
Total Bonds		$26,227

SUMMARY

Total Bonds	$26,227
Total Stocks	71,094
Grand Total of Investments	$97,321

local trust companies or banks which appoint a minority of the committee. Other of the committee's members are selected by mayors and judges and by officers of local educational institutions. The committee is delegated with the power of distributing the income among educational and charitable enterprises.

Originating in Cleveland, O., in 1914, the community trust plan has now become so extensive that it is in operation in fifty-eight American cities. According to a compilation made by the Civic Department of the U. S. Chamber of Commerce, more than $100,000,000 is credited with having been provided in wills in the city of Cleveland alone for future administration by the Cleveland Community Trust. The present total amount held by all of the community trusts may be placed at tens of millions of dollars, with indications pointing to an aggregate of hundreds of millions of dollars in the not distant future. The community trust is still in its youth.

Added foundation investment funds are endowments to universities. A certain proportion of these is real estate, but another large share comprises all forms of securities—railroad and industrial bonds and stock as well as government, state and municipal bonds. The probable total of corporation securities owned by universities can neither be ascertained nor accurately surmised.

Regulations of Foundations

Regulations of the various foundations bear an important relation to the manner in which management of their investment can affect the stock and bond market. The rules governing the Rockefeller Foundation provide that both principal and income can be appropriated for humanitarian purposes at the discretion of the trustees. The same latitude is allowed to the trustees of the General Education Board and the Laura Spelman Rockefeller memorial. Of $14,852,000 allotted by the General Education Board in 1926, for instance, more than half included appropriations from principal. Mrs. Harkness's will provided that income and principal of the Commonwealth Fund should be completely expended within a period of thirty years from the date of her death which was on March 27, 1926. Unlike most of the other large foundations, however, the Carnegie Corporation's charter contains no provision for the ultimate distribution of capital as well as of interest.

(*Please turn to page* 448)

Have Oil Shares Seen Their "Bottom"?

How Far Will Depression in Petroleum Industry Go—The Outlook for Prices—Position and Prospects for Leading Listed Stocks

By ARTHUR M. LEINBACH

ABOUT the best thing that one can say for oil prospects in 1928 is that in terms of current petroleum industry statistics, it started so inauspiciously that there is more likelihood of improvement than there is of sustained depression. Every industry in its swings from prosperity to depression has a point where conditions can be no worse—and the oil industry appears to be hovering around that point at the present time.

The oil review of 1927 is a "sad story." In brief this is what happened. On November 15, 1926, the oil industry was producing crude oil at the daily average rate of 2,348,676 barrels, which at the then existing prices was estimated to be worth $4,278,000 a day. On April 15, 1927, only six months later, production had increased to 2,439,226 barrels on the daily average, but in the interval an over-supply of crude had forced several abrupt price cuts which gave the increased output a market value estimated at around only $2,926,000. The increased production, therefore, instead of bringing large profits to the oil companies brought to the doors of the industry a *dollars and cents loss of some* $1,350,000 *a day.*

Drop in Prices Crude oil which brought a price of $2.30 a barrel in the mid-Continent district for six months of 1926 to November 15, fell to below $1.30 a barrel in March of this year and held to this level throughout the balance of the year with not very bright prospects for near future recovery. Once in 1921, crude oil slumped a little below this price level for a few months and again for a few months in 1923, but crude oil has not been so cheap for a period of over nine months without relief since 1915. And with production increasing in spite of drilling agreements in various fields and supplies over and above the needs of the refineries going into storage, it seems certain that the producers will be receiving "panic prices" for their crude for another three months and perhaps longer. This is the story of oil industry depression in a few words; and the leaders in the industry are not very optimistic concerning their operations for the immediate future.

It is the flush production of two districts that is largely responsible for this situation —Seminole being the "fly in the ointment" throughout the year and West Texas assuming the role in increasing prominence in recent months. Both fields have contributed lavishly to the nation's supply of crude oil, yet both fields have cut huge slices out of the normal operating profits of the oil companies.

Contrary to the popular belief, Seminole has not been a profitable field to date, except, of course, for the individual good fortune of operators here and there. About 125 million barrels of crude have been taken out of the ground in this district to November 1st, 1927, which after deducting royalties in kind, storage of unmarketable oil, taxes, etc., realized a revenue of about 125 million dollars, only partially repaying the 150 million cost of development and drilling in this district. In addition to being a losing proposition itself to date, Seminole has cost the industry at large many hundreds of millions of dollars in the forced price cuts resulting from over-production.

In the same measure that the industry has suffered from over-production, so have, of course, the companies engaged in this industry suffered and will continue for some time to suffer. Company profits on the whole for the first nine months of 1927 are estimated to have been reduced to about half of the profits earned in the same period of 1926. This figure means nothing as far as the individual companies are concerned, however, for the burden has not been distributed equally among the numerous companies. The small independent producing company, for example has suffered most, depending for its income principally from the crude oil it sells and having been forced to handle a larger volume of crude at a much lower gross revenue. A number of such concerns have shown deficits from their 1927 operations in contrast with net profits last year.

Most of the oil companies nowadays treat a portion of their own crude in their own refineries and many of the formerly exclusively producing companies now have their own distributing facilities for refined products. This is true even among the smaller concerns. Refining and sales profits, while narrow enough at present have not been cut to the bone to the same degree as producing profits. While selling in a lower priced market, the companies with gasoline and other refined products for sale have not suffered as much as the "primarily producing units."

Exceptions to the Rule There are other concerns, principally the former Standard Oil group, which buy a large percentage of their crude and are primarily refining and sales companies. Vacuum Oil is a typical example of this type of petroleum concern, which is doing well in contrast with other oil companies because it buys crude in a cheap market and maintains its sales volume by marketing a standard trade-marked grade of lubricants, the prices of which have not fallen off nearly so much as the cost of crude. This group of oil companies has been able to present a fair showing so

(*Please turn to page* 474)

FORECAST FOR 1928

Position of Leading Petroleum Stocks

Group A—Strong companies whose shares might be purchased now for long range price appreciation, if one is prepared to disregard intermediate price fluctuations.

Group B—Sound companies whose shares should be retained, but immediate outlook is too uncertain to warrant fresh commitments at this time.

Group C—Companies which would suffer most from sustained depression and whose shares therefore occupy a relatively unattractive market position at this time.

Company	Price Range	1927	Recent Price	Div.	Yield	Common Stock Earnings 1926	1927	COMMENT AND RATING
Atlantic Refining	131⅜	104	109	4	3.7	11.24	nil (9 mos.)	Heavy write-offs for intangible drilling costs absorb 9 months' earnings—trade position strong and financial condition excellent—Group B.
Barnsdall A	35½	20¾	25	¶2½	..	5.20	2.90 (9 mos.)	Dividends being paid in stock. Company has been using cash to place cheap oil in storage—company sound but immediate outlook uncertain—Group B.
California Petroleum	32⅞	20	24	1	4.1	3.34	0.74 (9 mos.)	California producers hit hard by current overproduction—resumption of earning power may be slow—company well managed—Group B.
Houston Oil	175¾	60⅛	155	..	..	3.59	6.18 (9 mos.)	Gross sales of gas for industrial use is steadily growing—profits from this division are more than offsetting small earnings from oil production—Group B.
Independent Oil	32¾	17⅝	26	1	3.8	5.95	3.69 (9 mos.)	Production more than doubled this year but at a sacrifice of profits—company's trade position not very strong—may be taken over in merger—Group C.
Marland	58½	31	34	..	..	6.05	nil (9 mos.)	Earned about $2.00 a share but showed deficit after writing off intangible drilling costs—has an exceptionally strong cash position to withstand depression—Group B.
Mid-Continent Pet.	39⅜	25½	28	..	..	6.01	†5.24 (9 mos.)	Earnings have probably fallen off more than preliminary reports indicate—cash dividends passed to preserve strong financial condition—improving its gasoline marketing—Group B.
Pan-American B	66⅜	43½	45	..	..	9.32	3.23 (6 mos.)	Company not well situated for present unsettlement in the oil industry, but prospects of improvement in South American and Mexican properties warrant holding stock—Group B.
Phillips Petro.	60¼	36¼	41	3	7.3	8.89	†6.50 (9 mos.)	Principally a producer and will probably have heavy charges to write off at end of year—natural gasoline and carbon business gives the company a decided trade advantage—Group B.
Producers & Refin.	34	16¾	25½	.	..	2.44	def. (9 mos.)	Weak financially and hard hit by overproduction and low prices, companies' outlook seems none too bright for next year—Group C.
Pure Oil	33½	25	26	*1½	57	‡3.70	‡3.00	Diversified operations and control of very high grade crude oil gives company stable earning power—can well hold its own through current depression—Group A.
Shell Union	31¾	24⅝	26	1.40	5.3	4.10	1.10 (9 mos.)	Third largest producing company with extensive refining and marketing facilities—affiliation with Royal Dutch provides world market—Group A.
Sinclair	22⅜	15	18	..	..	3.60	2.78 (6 mos.)	Company carries large investment in storage oil in its own name and three subsidiaries—recovery to former prosperity probably slow—Group B.
Skelly	37⅜	24⅛	26	2	7.7	5.24	1.46 (9 mos.)	Small independent company—principally a producer and lacks adequate marketing facilities—outlook uncertain—Group C.
Standard-Calif.	60¾	50⅜	55	*2½	4.5	4.38	..	One of largest domestic producers with extensive pipe line and refinery facilities on West Coast—has led several price cutting wars this year to strengthen its marketing position—Group A.
Standard-N. J.	41⅜	35⅛	39	*1	2.5	5.01	..	Premier petroleum organization of the world—contracts for large portion of crude supply—good investment even under present conditions—Group A.
Standard-N. Y.	34⅛	29¾	31	1.60	5.1	1.95	..	Large expenditures in recent years to develop crude supplies will prove to be more profitable in future years than they are at present—favorable long range prospects—Group A.
Sun Oil	34⅞	30	32	*1	3.1	2.88	0.52 (6 mos.)	Principally a refining and marketing company—with growing earnings up to 1927—well entrenched in its sales division—should easily weather present depression—Group B.
Texas Corp.	58	45	53	3	5.7	5.45	..	One of the strongest independents with extensive refining and marketing facilities in Southwest and Eastern markets—Group A.
Texas-Pacific C. & O.	18⅞	12	14	0.60	4.2	1.87	†2.22 (9 mos.)	Small producing co. with extensive acreage owned and leased in Texas, Mid-Continent and Montana fields—current drilling activity in Texas fields lends interest to shares—Group B.
Tidewater-Asso.	19⅛	15⅜	16	..	..	°1.38	0.17 (6 mos.)	Company faced with double difficulty of working out consolidation economies and withstanding trade depression—speculative but worth holding—Group B.
Union Oil	56½	39⅝	45	*2	4.4	3½	2.24 (9 mos.)	Complete unit in oil industry with excellent financial condition and relatively good earnings in 1927 despite depression in the industry—Group B.

† Before depr. and depl. ‡ Years ended March 31. ° 9 months. * Not including extras. ¶ Paid in stock.

New Elements in the Technique of Market Diagnosis

A Series of Six Articles

by The Magazine of Wall Street's Market Expert

PART IV

The Function of Tape-Reading In Modern Markets

IN the first and second decades of this century, there was a school of thought which contended with a considerable degree of success that the skilled "tape-reader" was in a position of especial advantage to forecast security price changes. The corollary to this conclusion was that knowledge of "fundamentals," if not absolutely unnecessary, was at least quite a subordinate requisite as compared with an experienced eye in reading ticker symbols.

Those who held this view were, as a rule, professional traders in the market who were interested in only one thing and that the tape itself. If they paid any attention at all to economic conditions such as car loadings, steel bookings, money rates and the crops, it was done perfunctorily. Their heart was not in this type of analysis; it lay with the ticker and the tape.

Their argument was that there was no need of studying economic conditions when the combined result of these conditions were reflected in the tape. Their viewpoint was tersely expressed in the phrase "the market tells the story."

A Logical Development

The emphasis which these market experts placed on the value of tape-reading may seem somewhat incomprehensible to the newer generation who have been accustomed to thinking mainly along the lines of values and fundamentals rather than in terms relating specifically to the tape. Nevertheless, to those acquainted with market conditions several decades ago, the stress laid on tape-reading seems quite logical.

In the early part of the century, manipulation of the market by important interests reached its greatest point of efficiency. The Stock Exchange at that time, compared with the present, was a comparatively small institution. The number and type of stocks listed were limited. Only about 300-400 different stocks were listed compared with the present number of over 1,100. Industries chiefly represented were the rails, by far the largest group, mining stocks, steel and a handful of others.

Automobile, tire and accessory stocks were practically unknown. Standard Oil issues were quoted on the Curb market; there were very few public utilities. During that period, control of the market rested at various times with several dominant groups and by control is meant actual control. Powerful interests could put the market up or down at will through employment of the right sort of manipulative tactics. To put the few leaders that existed at that time up or down meant to elevate or depress the entire market, since all stocks, almost without exception, moved in the same direction.

It is obvious that under these limited conditions, the function of tape-reading would become vital since a skilled reader of the tape could more or less closely appraise the intentions of the leading market interests through observation of the action of their pet stocks. With only a small number of stocks to watch, it was a comparatively simple matter to obtain an adequate picture of market conditions during almost any period.

Manipulation of stock prices had reached a point where, frequently, values counted for very little. Hence, the argument that it was more important to watch the tape than study security values had a definite basis in experience and fact. Skilled readers of the tape, though perhaps ignorant of economic conditions, were known to make large profits through their developed sense of tape-reading.

Different Situation Today

Under present conditions in the market and, in fact, under those which have been developing for the past decade, the art of tape-reading has largely degenerated into a guess-work of no great order. The market has become so varied and has reached such enormous proportions, both as to number of industries represented and stocks listed, that it has become an impossibility for any single person to understand the market position of all the stocks listed.

Furthermore, the market has become so broad that it would be impossible, even for the most powerful financial cliques, to "manufacture" a trend except over very brief periods. Hence, it has become extremely difficult from merely watching the tape to gain an idea of what important financial interests are doing in the market.

This in itself has destroyed almost the most vital function of tape-reading and accounts for its comparative lack of usefulness today as a dependable guide to market movements.

The marked independence of stock movements, a fact stressed in this publication during the past few years, has become the most essential characteristic of stock transactions. This tendency toward independence is inevitable considering that the corporations whose stocks are listed on the Stock Exchange represent industries located in every section of the United States, are in many cases subject to local rather than national influences, are held by thousands of investors all over the country and are controlled by interests who bow the knee to no set of bankers or financiers.

This diversity of interest and circumstance has completely changed the complexion of the Stock Exchange and has made it a formidable task indeed for any person to possess intimate knowledge of more than several groups of stocks.

A Problem of Organization The art of market diagnosis, which formerly depended almost entirely of tape-reading and which, almost invariably, was an individualized undertaking, has become today largely a matter of organization in which one group of experts supplements the work of others. Thus, we have specialists in railroad securities, others in public utilities, still others are engaged largely in analysis of petroleum companies, others, still again are deeply versed in the automobile group and so on. Where formerly one man by reading the tape could obtain a fair picture of market conditions, today it takes the combined economic diagnosis of a large staff of specialists to do so. And the demand for specialized knowledge is increasing rather than the reverse.

Under older conditions, tape-reading had a very real place and value. Today, it has lost its value to a large extent as a result of the enormous magnitude and complexity of the Exchange.

The tape-reader of former times depended first on the tape and then on his charts. Leaving out of the discussion efforts of many theorists and cranks who were obsessed by the notion that one could read the future of a stock from a chart, there were, nevertheless, many intelligent and experienced people who claimed that charts were a great aid to them in deriving conclusions on the future for individual stocks. Even today there are quite a number who are in agreement with this view and who expend much effort and money to maintain elaborate systems of charts which, they imagine, will enable them to forecast market movements.

This was a logical development at a time when the science of market forecasting had emerged into its most romantic stage and when tape-reading was in its heyday. Today, however, it would be nothing short of ridiculous to depend on charts or such paraphernalia to determine future stock values.

The Value of Charts The chart, of course, has a value as a convenient record of price movements *of the past.* It does away with depending on memory and is much more convenient than a set of figures, especially when the date goes back many years. But that is where its value ends.

In about the same way, the tape has value in that it acts as a mirror of present conditions. It is a ready and convenient way of telling what is going on in the market at a given time. But that also is where its value ends.

If it had been possible for tape-reading years ago to develop into an exact science, it would have in itself ended the possibility of all price fluctuations for everyone would have been in a position to tell whether a stock were going up or down and this, of course, would have defeated the purpose of tape-reading. Pools and manipulators of the present day are quite familiar with the older notions of tape-reading and have adapted themselves to new conditions by making their operations much more subtle and therefore difficult to gauge. Hence, exclusive dependence on the old theories of tape-reading today might easily prove dangerous in that misinterpretation of the tape would quite likely be the normal result.

"Fundamentals" Important The skilled judge of security values relies today on exact knowledge of fundamental conditions, both as regards the general market and as regards specific securities.

(*Please turn to page* 454)

The New Ticker System

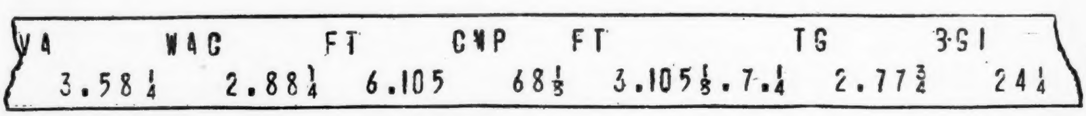
SEVERAL weeks ago, the New York Stock Exchange decided to take the imperative step of speeding-up its stock quotation system, as a result of a long sequence of two and a half million share days during which the tape became so congested that at times it ran from fifteen to twenty minutes behind the market. Traders and others requiring precise knowledge of stock market prices during trading hours were formerly placed at a great disadvantage since there was no way of telling where their market orders would be executed during periods when the tape was excessively late.

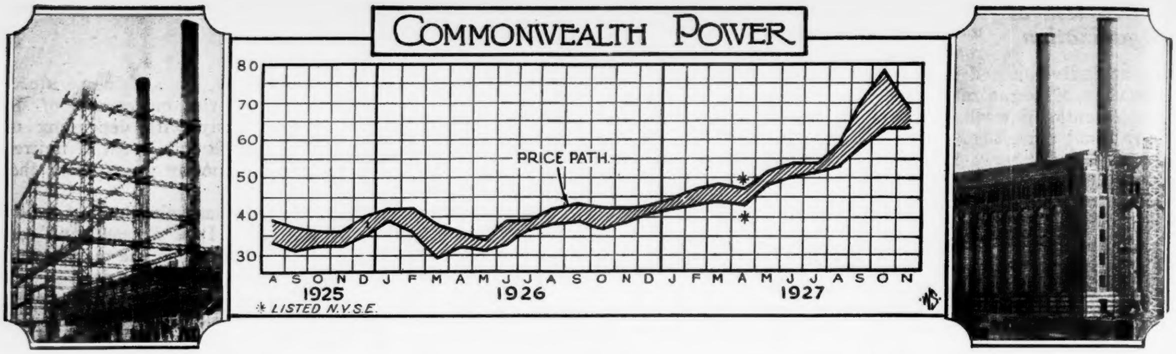
After considerable experimenting the Stock Exchange authorities hit upon the happy expedient of abbreviating the price symbol at which transactions were quoted. Thus, instead of quoting the full figure for a stock, the quotation is given only of the last numeral and fraction. For example, under the older system U. S. Steel might be quoted as X 3. 146 7-8. This meant that three hundred shares of Steel common were sold at 146⅞. Under the new method the same transaction would be reported X 3. 6 7-8, leaving out the "14," it being understood that 6 7-8 refers to Steel selling at 146⅞. The same method is used for other stocks.

The new style has had the result of shortening the time required to report transactions, hence making it possible for the tape to be up with the market under normal conditions. Congestion, as yet, however, has not been totally eliminated but the improvement over the older system has been so great as to elicit favorable comment after traders and others had had a sufficient opportunity to study its value. The new system, it is understood, will be used when the market is active and the older system during quiet periods.

The method now in vogue will probably be in force until a new mechanical system, now in process of experimentation, will be perfected. It is expected that this new mechanical system will take at least another year until it is sufficiently developed to warrant its being adopted.

On bottom is given a facsimile of the tape under the old method and on top is given a facsimile under the new method. At first glance, to those unaccustomed to it, the new style is somewhat puzzling, but this feeling wears off after the investor has had one or two days' experience with it.





Commonwealth Power—A Sound Investment

Substantial Progress Indicated for Future—"Rights" Add to Income of Investors—Market Position

By J. T. MOLL

THE Commonwealth Power Corporation is a holding company, whose subsidiaries are engaged principally in the production and sale of electricity for light and power, and gas as fuel. The company operates, through its subsidiaries, in 611 communities located in Michigan, Illinois, Indiana, Ohio and Tennessee and having a combined population of more than 2,000,000 persons.

The companies controlled by the Commonwealth Power Corporation through ownership of stock are the Central Illinois Light Company, Consumers Power Company, Illinois Electric Power Company, Illinois Power Company, Ohio Edison Company, Southern Indiana Gas & Electric Company, Southern Michigan Light & Power Company, Tennessee Electric Power Company and Utilities Coal Corporation. The Utilities Coal Corporation owns and operates coal mines that provide in part the supply of steam and gas coal for the various plants. The parent company owns the entire common stock of each of these except one, the Tennessee Electric Power Company, 97.51% of whose common stock is held. This almost entire ownership of common stock gives the Commonwealth Power Corporation practically complete equity in the surplus earnings of its subsidiaries.

Of the company's gross earnings approximately 70% is derived from the sale of electricity, about 15% from the sale of manufactured gas, less than 10% from transportation and the balance from heating, water, transportation, ice and coal. The total generating capacity is 843,650 hp. of which 289,230 hp., or 34.3% is hydroelectric. The company owns and holds in re-

Commonwealth Power Corporation

Year Ending	Number of Electric Customers	Elect. Sales Kilowatt Hours	Value (000 omitted)	Number of Gas Customers	Gas Sales Cubic Ft.	Value (000 omitted)
Dec. 31, 1922	264,027	750,347	$20,037	111,513	3,807,422	$5,055
Dec. 31, 1923	317,116	979,681	24,531	119,003	4,249,272	5,587
Dec. 31, 1924	354,613	1,005,856	26,551	143,016	4,337,707	5,579
Dec. 31, 1925	391,958	1,277,371	30,189	158,745	5,310,974	6,706
Dec. 31, 1926	433,644	1,429,554	34,299	171,280	5,939,659	7,376
Oct. 31, 1927	461,167	1,538,754	37,318	184,449	6,478,432	7,822

Year Ending	Gross Revenue (000 omitted)	Gross Income* (000 omitted)	Ratio of Operating Exps. to Gross Revenue
Dec. 31, 1922	$32,145	$13,724	57.3
Dec. 31, 1923	37,443	16,048	57.3
Dec. 31, 1924	39,315	17,367	55.8
Dec. 31, 1925	44,175	19,252	56.3
Dec. 31, 1926	49,198	22,808	53.6
Dec. 31, 1927	52,649	24,501	53.5

Note: Above figures include all present owned subsidiaries so as to be comparable.
* After operating expenses, including maintenance, Federal and other taxes, but before interest charges.

serve for the satisfaction of future requirements, properties capable of producing nearly 260,000 additional hp. The total generating capacity of the gas plants of the combined properties is 42,425,000 cubic feet daily.

The accompanying tables show the growth of sales of the company's chief products and the gross revenue, gross income and operating ratios of the company from 1922 to date.

These tables bring out the consistent growth of gross revenue and earnings and indicate substantial progress for the company in the future. At the same time operations have been increasingly more efficient, the operating ratio having dropped from 57.3% to 53.5%. The growth in revenue has been the result of or made possible by investment of additional capital in expanding and improving properties in proportion to the increase of sales. This fact has been and in the future may be expected to be the cause for the sale of additional common stock which operation involves the issuance of valuable rights. At present the dividend rate is rather low, $2.50 per annum, but with occasional rights interspersed the income from the stock has been substantial.

The trend of sales is a favorable factor but also of great importance is the company's ability to reduce its operating ratio. This suggests that not only will sales increase rapidly in the future but that a higher profit than ever before will be derived therefrom.

Earnings per share of common stock amounted after depreciation to $4.09 in 1926 and $4.68 in the year ending October 31, 1927. It is misleading to consider a past trend of earnings per share because of the radical changes in capital structure caused by stock split-ups and the sale of new securities. The stock is currently quoted at 67 on the New York Stock Exchange, at which price it yields slightly less than 4%. Its earnings of $4.68 are equivalent to 7% on its market price. These ratios are not extremely low for a stock whose earnings are so stable and whose prospects are so good. Consequently the stock appears to be a good investment for persons who wish to obtain a security to be held for the "long pull." The preferred stock which pays $6 annually is quoted on the Curb at 103 to yield 5.83%. This stock of course does not have expansion possibilities which are a feature of the common, but it is a security of high rank which gives a rather liberal yield and consequently may also be regarded as a favorable issue for an investor.

Next Issue

Forecast Number

Business—Money—

Securities

Bond Buyers' Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Prior Liens (Millions)	Prior Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 (a)	....	....	....	99⅞	6.01	6.01
Chile 6s, 1960 (a)	....	....	100	91¾	6.50	6.61
Dominican Rep. 5½s, 1942 (a)	6.4	....	101G	99¼	5.53	5.55
Haiti 6s, 1952 (b)	....	....	100G	100¼	5.99	4.98
Panama 5½s, 1953 (a)	....	....	102½G	103¼	5.31	5.24
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952	....	3.80	....	97⅝	5.12	5.19
Central of Georgia, Ref. 5½s, 1959	31.1	1.74	105G	108	5.09	5.00
Chicago & West. Ind. 1st Ref. 5½s, 1962	60.1	X	105	104⅞	5.25	5.20
Erie & Jersey, 1st 6s, 1955	....	1.61	115	114¾	5.23	5.04
Great Northern, Gen. "A" 7s, 1936 (b)	139.8	2.67	....	115	6.07	4.88
Kan. City Sou., Ref. & Imp. 5s, '50	30.0	2.07	105A	102	4.90	4.85
Minn., St. P. & Sault, 1st Con. 5s, 1938	....	1.19	....	98¼	5.11	5.20
Norfolk & Southern, 1st 5½s, 1961	3.8	1.21	105	96½	5.18	5.75
Peoria & Pekin Un. Ry., 1st 5½s, 1974	....	2.04	105G	106¾	5.16	5.15
Rock Isl., Ark. & La., 1st 4½s, '34 (b)	....	1.53	105T	99	4.54	4.67
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952	45.3	2.05	....	102½	4.88	4.83
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934 (b)	....	1.34	102¼	100⅞	4.93	4.88
Brooklyn City, 1st Con. 5s, 1941	....	3.48	....	95	5.26	5.55
Hudson & Manh., 1st Ref. 5s, 1957 (b)	5.6	2.01	105	101½	4.84	4.82
Indiana Nat. Gas, Ref. 5s, 1936	....	2.00	....	99⅝	5.02	5.06
Louisv. Gas & El., 1st Ref. 5s, 1952 (b)	1.2	2.34	110T	104	4.80	4.72
New Orleans Public Service, 1st Ref. 5s, 1952 (b)	10.5	1.70	105T	99	5.05	5.05
N. Y. Steam Corp., 1st 6s, 1947 (a)	....	2.05	107½GT	108¼	5.53	5.33
Pacific Gas & Elec. Gen. & Ref. 5s, 1942	40.3	2.00	105T	103	4.86	4.73
Public Service of N. J., Sec. 6s, 1944 (a)	....	2.75	107½T	107	5.59	5.37
Rochester Gas & El., "C" 5½s, 1948 (a)	12.5	2.08	105GA	106½	5.16	5.00
INDUSTRIALS						
Bethlehem Steel, P. M., 5s, 1936	5.1	2.20	105	102½	4.87	4.69
Brier Hill Steel, 1st 5½s, 1942 (a)	....	4.00	105	105	5.22	5.02
International Paper, 1st 5s, 1947	....	7.26Y	102½	101⅜	4.92	4.89
Morris & Co., 1st 4½s, 1939	....	NS	103	87	5.17	6.05
Mortgage Bond, 5s, 1932 (b)	....	1.68	100	98¾	5.08	5.30
Schulco "A" 6½s, 1946 (a)	....	X	103T	103½	6.27	6.22
Sinclair Pipe Line, 5s, 1942 (a)	....	4.46	103	94	5.27	5.63
U. S. Rubber, 1st 5s, 1947 (b)	2.6	2.91	105T	96¼	5.22	5.30

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Prior Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Atlantic & Danville, 1st 4s, 1948	....	1.79	....	83	4.83	5.35
Central New England, 1st 4s, 1961	0.2	0.78	105	86¾	4.61	4.79
Chicago Gt. Western, 1st 4s, 1959	....	0.97	....	72	5.55	5.95
Erie Gen. Lien 4s, 1996	91.6	1.46	....	85	4.70	4.72
Mississippi Central, 1st 5s, 1949 (b)	....	1.36	110A	99⅞	5.00	5.00
Missouri Pacific, Gen. 4s, 1975 (a)	10.4	1.28	100A	82¾	4.83	4.91
New Haven, Non-conv. Deb. 4s, 1956	49.4	1.48	....	86	4.65	4.90
Northern Ohio, 1st 5s, 1945	....	2.60	....	101¾	4.92	4.85
Seaboard Air Line, Ref. 4s, 1959	46.4	1.25	105A	70⅛	5.68	6.10
Texarkana & Ft. Smith, 1st 5½s, 1950	....	2.02	107½A	106⅛	5.18	5.05
Western Maryland, 1st 4s, 1952 (b)	2.3	1.24	....	85¾	4.67	5.00
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968 (b)	....	1.52	105	96¾	6.20	6.22
Market St. Ry., 1st 7s, 1940 (a)	....	2.22	106½T	99¼	7.05	7.08
Montreal Tram., 1st & Ref. 5s, 1941 (a)	....	1.31	105A	100½	4.95	4.96
Sierra & San Francisco, 1st 5s, 1949	....	1.78	105	101¾	4.87	4.88
Utah Power & Light, 1st 5s, 1944	....	1.97	110	102	4.90	4.85
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946	4.8	4.16	104T	100¼	5.98	5.98
Pressed Steel Car, Conv. 5s, 1933	....	3.30	100	97⅞	5.12	5.45
Walworth Ca., 1st "A" 6s, 1945 (a)	....	2.73	104½T	96	6.25	6.35
Webster Mills, 6½s, 1933 (c)	....	2.44	106½T	96	6.75	7.35
American Chain, S. F. 6s, 1933 (a)	....	6.84	105	104½	5.73	5.15
American Type Founders, 6s, 1940	....	3.84	106	106	5.66	5.31
California Petroleum, Conv. 5s, 1939 (a)	....	11.56	103T	96	5.20	5.45
Dodge Bros. Conv. 6s, 1940 (a)	....	9.97	110T	89⅝	6.68	7.25
White Sewing Machine, 6s, 1936 (b)	....	5.60	105	†100⅝	5.96	5.87
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '29	31.1	2.11	102T	101⅞	5.89	4.70
Sloss-Sheffield P. M. 6s, Aug. 1, 1929	1.7	4.55	105	102⅜	5.86	4.31

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about 2.16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. † Without warrants.

PUBLIC UTILITIES

Hudson & Manhattan's Prospects

Growth in Gross Revenues and Net Income —Will Vehicular Tunnel Affect Business?—Investment Status of Securities

By G. F. MITCHELL

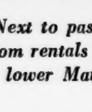
© *Underwood & Underwood*
The Hudson Terminal Buildings. Next to passenger fares the bulk of H. & M.'s revenues come from rentals for space in the huge terminal buildings in lower Manhattan.

THE steady advance in the securities of the Hudson & Manhattan Railroad Co. illustrates the possibilities inherent in any of the New York City traction systems were they allowed to throw off the incubus of the five-cent fare. With its operations under the jurisdiction of the Interstate Commerce Commission because of the interstate character of its business, it has been free from the political manoeuvres which play so large a part in the affairs of the other tractions, and the consequent ability to charge a rate of fare in excess of five cents has been a vital factor in rendering the lines self-supporting and in making possible a return on all the outstanding securities. The attainment of this position involved a struggle over a long period of years. Preferred stockholders waited no less than seventeen years, from organization in 1906 until 1923, for their initial dividend, and common stockholders two years longer. Full interest on the income adjustment bonds did not take place until 1922, being contingent upon earnings, the bonds having been brought out in 1913 under a drastic plan of readjustment designed to scale down the top-heavy capitalization then existing.

Bonds on Investment Basis

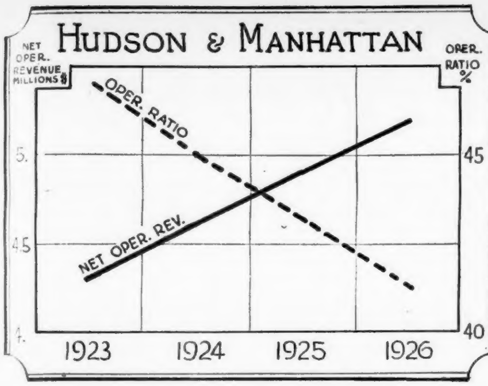
It is a striking commentary upon the changed state of affairs that these junior bonds, once highly speculative and within fairly recent years yielding well over 8%, have now advanced close to an investment basis where the return is about 5.5%, and that the junior stock should sell approximately on a 5% basis, which incidentally is appreciably below its high for 1927. It was pointed out in a previous analysis some months ago that the common, despite its many commendable qualities, had at that time reached a point in the market which could be justified only by some special development as yet unknown. The fact that no development of this character has as yet materialized and that the general expectation of an increase in the dividend rate has not been fulfilled, is no doubt largely responsible for the reactionary tendency noted in the shares of late. As far as dividends are concerned, the question of a higher rate appears to be only a matter of time on the basis of the present level of earnings in conjunction with their dependability.

The more obvious special developments affecting the company within the realms of possibility, aside from an increase in common dividends, are rather distant prospects at best. The frequent report that some of the eastern trunk line railroads, notably Pennsylvania and Baltimore & Ohio are accumulating the stock for purposes of control has received no substantiation, and in a way is rather illogical, inasmuch as such control, if desired, could have been acquired in the past on very much more favorable terms. The fact that the Newark extension is over Pennsylvania property and jointly operated with the Pennsylvania has no doubt contributed towards the persistency of these rumors because of the affiliation of interests.



A more reasonable assumption of possible developments to benefit Hudson & Manhattan is in connection with the Port Authority. The New York and New Jersey Port Authority was established with the idea of gradually developing and coordinating the facilities of the port of New York, and under the law it is permitted very wide latitude in the purchase, lease or operation of any terminal or transportation line which in its opinion would promote this end. The Hudson tubes, which provide the only large scale non-water service between the two states, would naturally constitute a highly important link in any general plan along these lines, and while there is nothing to indicate that it is in prospect for the near future, it is a potential factor in the situation and one that could hardly fail to be of material benefit to stockholders unless the market appraisal of the shares should undergo a marked change for the better in the interim.

Considering only the status of the company as such, without regard to possible external developments, the feature of recent years has been a steady rather than spectacular growth in gross revenues and a relatively more rapid gain in net income, a state of affairs redounding very much to the benefit of the common stock. The record of share earnings since 1920, as shown in the accompanying table, makes an impressive exhibit, and has been accomplished as much through increasing operating efficiency as through the upward trend in volume of passenger traffic, a fact which is clearly brought out by the uninterrupted decline in operating ratio from 57% in 1920 to 41% in 1926, while common share earnings during the same period were undergoing a transformation from a deficit to $4.63. Expenses have actually exhibited a slightly downward



trend in the face of increasing total revenues, indicating the extent to which a greater volume of traffic can be handled without a corresponding increase in the cost of doing business.

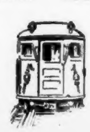
The great bulk of the revenues are derived from passenger fares, this being the only type of service rendered. Next in importance are rentals for office space in the huge terminal buildings in lower Manhattan and from various real estate owned in other parts of the city. A source of additional income is to be found in advertising, station concessions, etc. Rentals have undergone but little change in recent years, while advertising revenue has enhanced considerably, although the amount involved in the latter is not of sufficient size to figure very heavily.

Transportation expenses, the largest single item of operating expenses, have remained virtually stationary for several years past during a period when passenger revenues have increased about 30%. The greatest drain upon net operating revenues before capital charges are taxes, which in 1926 were in excess of the regular 2½% dividend on the common stock. The extent of the tax burden is perhaps more clearly brought out by a comparison with gross revenues, which shows no less than 11.3 cents paid out in taxes for each dollar of railroad revenues. Interest on funded debt exclusive of the income bonds was equivalent to about 24.5 cents, while annual charges on income bonds amounted to 18.7 cents. Funded debt including income bonds is about 63% of total capitalization, but inasmuch as interest payments on the Adjustment Income 5s are contingent upon earnings and not compulsory, it is perhaps fairer to leave them out of consideration in calculating the balance of the capital structure, in which case the ratio of funded debt would be practically reversed, amounting to only 36%.

In round numbers the capitalization consists of 76.6 millions in funded debt, of which 33.1 millions are income bonds, 52,000 shares 5% non-cumulative preferred stock, and 400,000 shares of common stock, both classes of stock being $100 par value. The preferred possesses additional interest, although of a long range character, because of the provision permitting its conversion into common at a price of 110. With the common selling at less than half that figure, this is not a factor of early consequence and need be considered only in the light of its possible bearing on the future. Yielding less than 6% at its present market level around 86, the preferred, although on a dividend basis only four years, has achieved the distinction of a sound investment, and is not altogether unattractive despite the limited return, on the basis of prevailing yields on railroad and public utility senior issues which have advanced appreciably in reflection of the inordinate demand for securities of this type. The First Lien and Refunding 5s of 1957, which of the two most important bond issues are closest to the property, have attained a high grade standing with a yield of less than 5%, while the transformation in the status of the Adjustment Income 5s has already been described.

The common stock is quoted on a lower yield basis than any of the securities senior to it with the exception of the first mortgage bond issues of which only one is outstanding in any sizable amount. This is by no means an unusual situation in the present market, so great has been the demand for common stocks possessing investment qualities, but in this particular case it is undoubtedly based on the expectation of some increase in the dividend rate which has not as yet materialized. Common share earnings of $4.63 in 1926, supplemented by the probable gain in store for 1927, would easily permit a more liberal rate in view of the dependable nature of the income, and unless something unexpected should occur to upset such a prospect, it should continue to be a factor in the market appraisal of the shares.

The affairs of the company have reached a stage of solidity where the chances are that new developments will be favorable rather than otherwise. In addition to the possibilities already outlined in this connection, there is the question of a fair return on the value of the property, which is not yet being obtained in spite of the great improvement in evidence. No efforts are being made to secure a higher rate of fare, so that it is not a factor in the immediate situation but it does provide reasonable assurance against any possible compulsory reduction in fares. At the worst, then, earning power should hold its own even if it does not have the benefit of continued growth in traffic. Inasmuch as the company provides the only rapid transit facilities between New Jersey and New York, an almost indispensable service to a large commuting population, continued growth on a moderate scale at any rate seems inevitable even if of smaller proportions than that of the last few years, the migration to New Jersey in the period following the conclusion of the war having been very marked owing to congestion and high rentals in New York City.



Competition from Vehicular Tunnel?

The suggestion has been made that traffic might be affected by the opening of the Holland vehicular tunnel, but this is hardly a logical assumption except perhaps as a temporary condition induced by the novelty of the new medium of transportation. Hudson & Manhattan is a passenger service exclusively, offering no competition for freight traffic, and as far as passenger traffic is concerned, the type of travel using the Hudson tubes would hardly be diverted to the vehicular tunnel except on a negligible scale.

The capital structure has undergone no change for many years and should require little if any revision in the near future. With less chance of having their equities diluted through the creation of additional prior issues, stockholders are in a better position than in the case of many companies to calculate their future status with a fair degree of accuracy. They may figure that the percentage of total railroad revenues applicable to the common stock will do no worse than remain approximately 21% as shown in the last annual report, and subject to possible increase in the event of continued gains in gross.

The securities of Hudson & Manhattan have a definite appeal to the investor, the selection depending upon the type of investment desired. The common stock around 50, while probably discounting the prospect of a higher dividend to some extent, is at the same time soundly situated on the basis of present earning power and the inherent stability of income, besides being the type of holding where the chances for gradual enhancement in value predominate.

Hudson & Manhattan

	1920	1923	1924	1925	1926
Passenger Fares (millions)	$6.4	$7.8	$8.0	$8.1	$8.3
Non-operating Income (millions)	1.3	1.8	1.9	1.8	1.9
Working Capital (millions)	1.6	1.7	2.1	1.6	2.2
Surplus (millions)	Def.	1.4	2.8	3.2	5.5
Common Share Earnings..	Def.	2.74	3.33	3.49	4.63

42 Roads Compared As To Sources of Revenue and Type of Freight Carried

	Total Miles Main Track Operated (owned or leased)	Principal States In Which Road Operates	% Operating Revenue from Freight	% Operating Revenue from Passengers	% Freight Originating on Own Lines	Classification of Traffic (Per Cent) Products of Agriculture	Products of Animals	Products of Mines	Products of Forests	Manufactures and Miscellaneous
Atchison, Top. & S. Fe..	12,121	Ill., Mo., Kan., Okla., Tex., La., Col., N. M., Ariz., Cal.	73	19	80	20.26	3.30	39.49	6.46	30.49
Atlantic Coast Line......	4,931	Va., N. C., S. C., Ga., Ala., Fla	70	21	66	10.51	0.82	39.41	22.53	26.73
Baltimore & Ohio........	5,179	Pa., W. Va., Md., O., Ind., Ill	82	11	65	4.26	1.08	62.88	4.21	27.57
Boston & Maine	2,180	Mass., N. H., Maine	63	24	28	14.40	2.72	28.27	10.83	43.78
Canadian Pacific	15,055	Me., Wis., Minn., N. D., Canada	71	17	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.
Central R.R. of N. J......	691	N. J., Pa.	77	15	38	2.02	1.05	55.28	2.46	39.19
Chesapeake & Ohio......	2,646	Va., W. Va., Ky., Ind	88	7	88	1.91	0.22	86.64	2.94	8.29
Chic. Burlington & Quincy	9,404	Ill., Ia., Mo., Kan., Neb., Wis., Col., Minn., S. D., Wyo., Mont.	75	15	69	18.82	6.76	44.11	5.64	24.67
Chicago & Eastern Illinois	945	Ill., Ind.	75	16	54	8.17	1.19	59.75	7.65	23.24
Chi. Milwaukee & St. Paul	11,193	Wis., Ill., Ia., Minn., N. D., S. D., Mo., Mich., Mont., Ida., Wash	77	12	70	12.80	5.42	38.09	19.04	24.65
Chicago & North Western	8,459	Wis., Ia., Minn., Mich., S. D., Neb	71	17	65	10.84	4.87	49.43	10.73	24.13
Chi., Rock Island & Pac...	8,024	Ia., Ill., Minn., Kan., Okla., Col., Ark., Tex	74	17	62	23.36	5.17	35.08	6.62	29.77
Colorado & Southern	1,820	Col., Tex.	76	15	58	17.14	2.62	50.03	4.84	25.37
Delaware & Hudson......	882	New York	86	8	60	4.48	0.60	69.10	5.29	20.53
Dela. Lackawanna & West	987	N. Y., N. J., Penn	73	15	66	8.46	2.34	56.34	3.06	29.80
Denver & Rio Grande W.	2,563	Col., Utah	76	13	72	8.32	2.42	70.74	4.18	14.34
Erie	2,317	N. Y., N. J., Penn., O., Ind., Ill	44	81	10	8.73	1.84	55.01	3.52	30.90
Gt. Northern	8,188	Minn., N. D., S. D., Mont., Ida., Wash	79	11	88	15.06	1.72	60.15	11.69	11.38
Hocking Valley	349	Ohio	86	4	12	1.39	0.30	86.78	1.13	10.40

Illinois Central	4,875	Ill., Wis., Ind., Ky., La., Miss., Tenn., Ala., Neb., Ia., S. D., Mo., Minn.	77	15	61	12.08	2.40	52.14	12.45	20.93
Kansas City Southern	865	Mo., Kan., Ark., Okla., La., Tex.	83	7	49	8.0	2.4	32.4	18.4	38.8
Lehigh Valley	1,364	Pa., N. J., N. Y.	83	9	58	8.99	1.60	56.56	2.08	30.77
Louisville & Nashville	5,038	Ky., Tenn, Ala., Fla., Miss., Ga., La., N. C., Va., Ill., Ind., O., Mo.	79	15	87	4.75	0.79	73.73	6.11	14.62
Minn., St. Paul, S. Ste. Marie	4,400	Wis., Minn., N. D.	78	12	69	13.56	2.96	38.01	24.80	20.67
Missouri-Kansas-Texas	3,189	Mo., Kan., Okla., Tex.	72	14	58	21.99	3.45	25.57	3.67	45.32
Missouri Pacific	7,347	Mo., Kan., Neb., Col., Ill., Ark., La., Okla.	80	12	68	16.48	2.54	40.84	15.55	24.59
N. Y. Central	6,928	N. Y., Pa., O., Ind., Ill., Mich., W. Va., Mass., N. J. and Que., Ont.	62	25	35	6.42	2.21	58.12	3.57	29.68
N. Y. Chicago & St. Louis	1,692	O., Ind., Ill.	93	3	32	13.26	4.89	37.14	5.95	38.76
N. Y., N. H. & Hartford	1,917	Mass., R. I., Conn.	51	37	32	9.50	2.58	35.04	5.26	47.62
Norfolk & Western	2,241	Va., W. Va., Ohio	90	6	80	2.19	0.32	84.61	3.73	9.15
Northern Pacific	6,682	Minn., N. D., Mont., Ida., Wash.	78	12	74	17.99	2.07	26.27	38.36	15.31
Pennsylvania	10,527	Pa., N. J., N. Y., Md., O., Ind., Ill., Mich.	70	21	55	4.32	0.95	62.93	3.85	27.95
Pere Marquette	2,247	Mich.	85	8	48	8.84	0.78	52.24	6.28	31.86
Reading	1,138	N. J., Pa., Del.	87	9	36	2.64	0.91	64.61	2.60	29.24
St. Louis-San Francisco	5,603	Ala., Ark., Fla., Kan., Mo., Miss., Okla., Tenn., Tex.	75	17	68	13.93	2.16	37.32	11.85	34.74
St. Louis Southwestern	1,748	Ill., Mo., Ark., Tex.	85	8	55	18.89	1.01	22.87	25.48	31.75
Seaboard Air Line	3,616	Va., N. C., S. C., Ga., Fla., Ala.	72	18	58	9.61	1.12	41.43	15.69	32.15
Southern Pacific	13,280	La., Tex., N. M., Ariz., Nev., Cal., Ore., Mexico	67	18	73	15.79	2.67	34.88	21.67	24.99
Southern Railway	6,795	Va., N. C., S. C., Tenn., Ga., Ala., Ky., Ind., Ill.	72	19	54	9.72	0.99	44.21	15.97	29.11
Texas & Pacific	1,953	Tex., La.	74	17	54	22.60	2.80	15.69	16.12	42.79
Union Pacific	9,647	Neb., Kan., Col, Wyo., Ida., Utah, Ore., Wash.	76	14	69	25.93	4.44	32.24	16.64	20.75
Wabash	2,524	Mich., O., Ind., Ill., Mo., Ia.	79	12	56	14.59	4.57	37.32	5.34	38.18

N.R. Not reported

INDUSTRIALS

What the Investor Should Look for in Appraising New Listings on the Stock Exchange

By ROBERT E. STANLAWS

ONE of the most striking developments of recent years in the security markets is the noteworthy expansion of public interest. Listings on the New York Stock Exchange scarcely a decade ago were relatively but a handful compared with the great array of stocks which now make their daily appearance upon the ticker tape. In the "good old days," the market was made up largely of rails and a scattering of industrial leaders whose fluctuations were easily influenced by the manipulation of a few bellwethers. Price swings of the list, as a whole, followed fairly regular cycles, led by these "primary" leaders. But in recent times, vast changes have been worked in the listed market.

Manipulation and speculation still play their respective roles. Corporation ownership, however, has passed from the hands of the few to those of the many to such an extent that it is no longer within the power of interested groups to sway the course of the general market as of yore. The stock market, representing as it now does, substantially every important phase of trade and industry, has acquired a degree of stability, which it formerly lacked, by virtue of its sheer diversity and the rapid spread of public security ownership.

THIS article includes the market ratings of a number of securities more or less newcomers to the New York Stock Exchange. The tables should be studied carefully as they afford a valuable basis of comparison

---

The Place of the Small Investor

The public utilities may be said to have blazed the way for the so-called small investor's participation in corporation activities. Long ago, these companies recognized the strategic importance of starting a back-fire against political agitation and overweening governmental regulation by securing the financial support of the masses.

Probably, however, no other event accomplished so much in this direction as our entry into the World War. The colossal sums required to finance the government's war needs demanded extensive public borrowing, resulting in successive Liberty Loan campaigns. Through these, a broader interest in securities and the security markets was aroused and thousands learned the habit of saving and investing who had never before had thought or knowledge of such matters.

Thus, an unusually favorable background was created for the era of enlarged public financing by corporate enterprises and the introduction of new industries to the Stock Exchange which followed. Not alone the larger companies, whose requirements for additional capital from time to time run to a magnitude requiring the support of a great mass of investors, but even many of the very small concerns have found the public a more convenient reservoir of credit than private sources.

Security listing upon the New York Stock Exchange has, of itself, contributed to the publicity necessary to attract investor attention and facilitate the sale of stocks or bonds, as the case may be. The public's broader education in things financial has made it more receptive to the purchase of new securities than ever before. This situation has obvious advantages to the latter as well as the corporations seeking capital. For the investor, it opens up new and frequently profitable fields for investment which were formerly closed. For the corporations, it permits the raising of funds on more reasonable terms and without the exacting restrictions or control over its business which a private lender or group of lenders would be apt to demand.

At the same time, it behooves the investor to pay some attention to the motives which prompt these security offerings for it does not follow necessarily that their qualities in respect to speculative or investment merit are determined solely by "newness."

In considering the various factors by which stocks newly listed, or those which have made their bow upon the New York Stock Exchange within relatively recent times, may be judged, it will prove helpful to trace the sources of their origin.

Primary Markets

Probably the most prolific of these are the New York Curb and the Over-the-Counter market. The Big Board is constantly drawing graduates from these two "train-

Comparison and Rating of 16 Market Groups

AEROPLANE MANUFACTURING

Issue	Earned $ per Share 1925	1926	*1927	Price Range 1926-27 High	Low	Recent Price	Dividend $	Yield %	Rating
Curtiss Aero & Mot.	def.	0.97	3.00	59	43	59	...	...	..
Wright Aeronautical	2.85	2.80	4.00	88	24	88	1	1.1	..

BREAD BAKING

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
Continental Baking "A"	17.26	8.41	5.50	95	33	52	4	7.7	A
Cushman's Sons	4.79	7.07	10.00	152	77	132	§4	3.1	..
Purity Bakeries "B"	3.38	5.82	8.00	98	41	92	2	2.2	..
Ward Baking "B"	2.19	2.71	2.25	85	17	28	...	....	A

BUSINESS EQUIPMENT

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
Burroughs Adding Machine	†5.19	†6.48	†8.50	140	90	139	¶4	2.9	..
Int'l. Business Machine	4.89	6.51	7.00	103	38	103	5	4.8	B
National Cash Register	7.07	6.15	6.00	54	39	47	3	6.4	B
Remington-Rand	2.48	3.16	0.75	47	20	24	...	....	A
Telautograph	0.51	0.72	1.00	17	11	16	0.60	3.7	..

COSMETICS

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
Coty, Inc.	8.09	9.52	11.50	119	44	118	¶6	5.1	..
V. Vivaudou	1.31	3.37	2.75	39	21	21	s10	10.0	..

DAIRY PRODUCTS

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
Kraft Cheese	4.28	n3.22	nf.	68	49	55	**1½	2.7	..
National Dairy Prod.	†3.17	†5.60	8.00	†68	59	62	3	4.8	B
Reid Ice Cream	7.37	4.50	nf.	82	38	82	3	3.7	..
Southern Dairies "A"	6.16	5.03	3.50	55	15	25	...	....	A
Western Dairy "A"	....	7.28	8.00	57	55	55	4.0	7.3	..

FIRE FIGHTING APPARATUS

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
American La France Foamite	1.60	0.90	nil.	15	4	5	...	...	..
Seagrave	2.49	2.25	1.75	14	8	13	1.2	9.2	..

HOUSEHOLD APPLIANCES

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
Electric Refrigeration	4.07	4.33	nil	78	5	8	...	....	..
Eureka Vacuum Cleaner	6.19	7.16	7.75	77	43	75	s¶4¼	5.7	..
Maytag Company	2.74	4.26	3.50	34	19	32	¶3	9.4	..
Savage Arms	5.85	7.02	2.50	102	43	63	4	6.4	..
White Sewing Machine	3.77	3.98	4.75	53	21	40	...	....	..

HOUSEHOLD REMEDIES

Issue	1925	1926	*1927	High	Low	Recent Price	Dividend $	Yield %	Rating
American Home Products	3.38	3.69	4.25	71	23	67	2.4	3.6	..
Household Products	4.46	5.22	5.50	70	40	65	¶4	6.2	B

(Please turn to page 431)

ing" schools and many of its star performers formerly played equally prominent parts in either—sometimes both—minor markets. It is a comparatively simple matter to trace the antecedents of stocks which fall in this category. In fact, their history and fundamental characteristics are usually well known in advance of listing, by virtue of the public's contact with them on the primary exchanges. Then again, such stocks, in most cases, are well seasoned issues, having been time tested in markets that fluctuate broadly in harmony with New York Stock Exchange securities.

Another source of new listings whose merits and possibilities are susceptible to relatively easy analysis, is the consolidation of existing enterprises. In such cases, new securities are created either through the formation of holding companies, organized to acquire the stocks of going concerns in exchange for those of the newly formed parent company, or through the direct amalgamation of one or more operating companies. Sometimes these mergers bring to the Big Board securities which are altogether new to the public as in the case where the consolidation is one involving enterprises altogether privately owned prior to recapitalization and amalgamation.

For the most part, however, the earning power and financial status of the constituent units are matters of record and hence those of the consolidation can be appraised without difficulty. If the past history and prospects of the latter are good, it may be assumed that the newly created corporation will be equally or more productive, provided its sponsors have not been tempted to over-capitalize. It is necessary also to look for inflation in another direction, however, since the speculative activity which usually precedes actual merging of the original companies is apt to be carried over into the securities of the successor. *In other words, the stock of a newly consolidated group must usually be subjected to a varying period of seasoning in the market before it finally settles down to a price level where the speculative following is eliminated and the investor justified in stepping in.*

Breaking Up of Family Holdings

Opposed to the tendency toward concentration of control in some industries, there is an equally pronounced trend toward decentralized ownership in others. Whether this trend has actually been greater, or only seemingly so, of late years is beside the point. It is certain, in any event, that many of the new securities that have come to market represent the breaking up of family holdings in enterprises which were built up by the genius of one or two individuals. Some of these have risen to a front rank position in their respective fields. Apparently, the United States has now reached a period in its economic history where the enterprises founded by the industrial pioneers are now passing to the hands of a younger generation which it either lacks experience in the hard school which made their forebears successful captains, or perhaps, being made indolent by the easy inheritance of riches, are prone to pass their responsibilities on to others. Since many of such one time closely held companies represent activities which formerly had little or no contact with public security markets, their rapid introduction into the New York Stock Exchange over recent years has made this a truly cosmopolitan affair.

The public's ready absorption of new securities has greatly promoted the distribution of such family holdings. Whether the original owners seek to sell out, lock, stock and barrel, or prefer to retain a controlling interest and merely make the investor a minority partner in the business, they have resorted to the expedient of selling to the mass of investors for the identical reasons that actuate corporations already well known to the rank and file. That is to say, because of the more favorable terms which may be realized from a sale to the general public as compared with a private disposal.

Since, almost without exception, a reorganization of capital structure precedes the offering of securities

(Please turn to page 463)

Comparison and Rating of 16 Market Groups [Continued]

Issue	Earned $ per Share 1925	1926	*1927	Price Range 1926-27 High	Low	Recent Price	Dividend $	Yield %	Rating
Household Remedies *(Continued)*									
Sterling Products	7.84	8.65	9.50	143	75	137	¶7	5.1	..
Vick Chemical	4.56	5.30	J5.36	63	44	60	4	6.6	B
HOUSEHOLD CLEANSING PREPARATIONS									
Bon Ami, Class A	9.91	10.50	11.25	68	53	65	4	6.2	..
Gold Dust	3.73	3.01	G6.34	78	41	77	3	3.9	..
MISCELLANEOUS MANUFACTURING									
American Machine & Foundry	3.28	4.73	8.00	187	65	184	¶3	1.6	..
Walworth Company	2.08	1.58	2.00	24	12	17	1.2	7.0	..
Yale & Towne	6.43	6.32	6.25	84	60	73	¶5	6.9	B
MUSICAL INSTRUMENTS & RADIO									
American Piano	5.27	6.26	def.	43	22	24	...	....	..
Brunswick-Balke-Collander	def.	4.48	nf.	39	24	31	3	10.3	..
Radio Corporation	2.34	3.56	5.00	101	32	85	...	...	..
Victor Talking Machine	....	10.16	7.00	54	32	53	...	....	A
PAINTS									
Devoe & Raynolds "A"	3.25	4.77	3.50	104	31	40	2.4	6.0	..
Glidden Company	4.06	3.24	2.25	25	14	20	...	....	..
PHARMACEUTICAL MANUFACTURERS									
Lambert Company	3.69	5.14	7.75	88	39	84	¶6	7.1	..
Lehn & Fink Products	....	5.44	5.00	43	30	39	3	7.7	..
RESTAURANT									
Childs Co.	3.91	3.83	3.25	66	45	52	‡2.4	4.6	B
Exchange Buffet	1.50	1.64	nf.	19	14	19	1.5	7.9	..
Shattuck, (F. G.) Co.	4.03	4.38	5.00	101	47	90	2	2.2	..
Thompson (J. R.) Co.	4.94	6.26	6.50	65	42	64	3.6	5.6	..
Waldorf System, Inc.	1.90	2.00	2.15	25	19	20	1.5	7.5	..
SHAVING MATERIALS									
Amer. Safety Razor	5.24	4.92	4.00	70	42	57	¶4¼	7.5	..
Auto Strop "A"	....	....	N5.73	46	43	45	3	6.7	..
Gillette	6.04	6.66	7.00	109	95	99	¶5	5.1	B
SOFT DRINKS									
Canada Dry Ginger Ale	2.88	3.85	5.00	60	32	54	¶3¼	6.0	..
Coca Cola	†7.24	†8.25	†8.75	†129	96	124	5	4.0	..
White Rock Min. Spgs.	3.80	3.26	3.75	41	22	37	¶3	8.1	..

n—Nine months. nf—No data. † On basis of present capitalization. G—Actual, year ended August 31. J—Actual, year ended June 30. § Plus $3 in preferred stock. ¶ Including extras. s—Pays 10% in stock. ‡ Plus 4% in stock. ** Plus 3% in stock. N—Actual, nine months ended September 30.

EXPLANATION OF RATINGS:

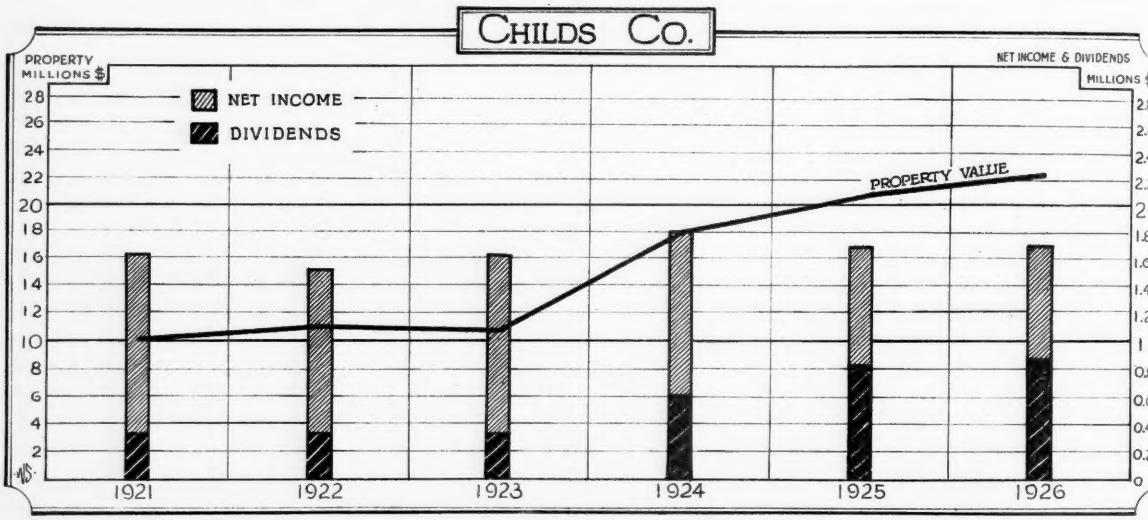
A—Stocks having good market prospects in near future. B—Stocks having good market prospects for long pull.
NOTE—Omission of either "A" or "B" rating indicates that stock is too high or otherwise unattractive for purchase at present.

Childs Co.

An Expanding Business With a Sound Future

Inherent Attractiveness of Common Stock Makes It Suitable for Investment Purposes

By HORACE DOLIN



THE spectacular performances of the leading chain store systems for several years past are well known to everybody at all in touch with the financial affairs of the nation. It is a type of business having many natural advantages, principal among which are facilities for uninterrupted expansion, rapid turnover, virtual immunity from the ill effects of business depressions, and ability to conduct business upon a 100% cash basis. It is small wonder that chain store stocks have held out so powerful a market appeal under the stimulus of a generally strong market, and in certain cases their action has exceeded the wildest flights of the imagination, while others less in the limelight have been relatively quiescent. The chain store is usually associated with groceries, tobacco, or general merchandise, the latter particularly in the five- and ten-cent store field, but similar possibilities exist in other lines, and the future will in all probability witness a considerable broadening in the application of this principle of merchandising.

History of Business

A notable instance of the chain store idea applied to the restaurant business is presented by Childs Company, whose common stock in its still rather brief career as a New York Stock Exchange listing, while giving a fairly good account of itself, has yet to receive the publicity and exploitation which might logically be expected in view of the success and scope of the enterprise. The business dates back to 1889 and in corporate form to 1906, although the company in its present form was organized in 1923. There is an unbroken record of preferred dividends at the full rate for more than 25 years, and on the common as well at varying rates with the exception of a single year, 1915.

Starting with one restaurant in 1889 on Cortlandt St., New York, the number of units was increased to ten a decade later, and has now expanded into a country wide chain of approximately 115, about 50% of which are located in Greater New York and some in Canada. Unlike some enterprises of very long standing, wherein a spirit of self-satisfaction prejudicial to their best interests is in evidence, the present policies of Childs Co. are more aggressive than at any time in the past.

The Childs restaurants are so familiar to everybody that no extended description is necessary. A number of innovations, however, have made their appearance in recent years, the most interesting of which perhaps is the invasion of Fifth Avenue, New York, an experiment which has been rewarded with gratifying success. It was accompanied by a change in the exteriors and interior arrangements, involving the abandonment of white as the predominating color so long associated with these establishments, and the substitution of small individual tables for the rows of long tables formerly in use. These innovations have facilitated an appeal to an enlarged and on the average a higher type of patronage. In the meantime, the cafeteria system has been installed in some of the restaurants in accordance with the growing popularity of that type of service.

Individuality of Enterprise

The fundamentals of the business, however, have undergone no change, and it is an excellent example of the development and amplification of a sound idea rigidly adhered to over a long period of years. The foundation of the business is "standardized food" served at reasonable prices, with no attempt at luxury, but with insistence on cleanly surroundings at all times. Another feature is the dietetic aspect of the menus, in which the caloric content of each dish is set forth. Childs has always been noted for the quality of its dairy products, a considerable portion of which are supplied by farms owned and operated by the company.

Special Offer on Next Page Shows You How to Get All These BOOKS FREE →

The Childs restaurants have never lost a certain very marked individuality which differentiates them from all other food establishments.

Real Estate Operations

The scope of the business is by no means limited to restaurant operations. As so often happens in the development of chain store enterprises, the tendency being particularly marked in the case of the two large tobacco chains, United Cigar Stores and Schulte Retail Stores, the acquisition of sites carries with it increasing activity in real estate operations to a point where this phase of the business assumes great significance. Although the majority of the restaurant locations are held on lease, the company owns around 20% of them, and in addition owns numerous parcels of real estate adapted to future requirements, the rentals providing a source of income.

Of far greater importance than rentals, however, is the general appreciation in value of such holdings, and inasmuch as there is no means of determining the precise amount, a decided element of interest is created from the point of view of the common stockholder. With so large a proportion of its real estate in the heart of New York City and strategically located, there is the ever present possibility that profits in any one year will be materially augmented through the sale of some of this property by the company. This occurred in 1924 when an amount equivalent to $6.13 per share on the common was earned, more than $2 a share in excess of the subsequent annual returns on restaurant operations.

A large real estate deal which may prove to be a source of additional profits is in connection with the construction of the recently opened Savoy Plaza Hotel, a semi-residential hotel at Fifth Avenue and Fifty-ninth St., New York. Large blocks of stock in the Savoy-Plaza Corporation, both preferred and common, were accepted in payment for the sale of the real estate and leasehold, the bulk of the ownership of these securities being shared with the United States Realty & Improvement Co., which controls the Plaza Hotel directly opposite. Both hotels are operated by the same management. If the enterprise proves as successful as anticipated, it will redound very much to the benefit of Childs Co., or there is the possibility that all or part of the interest will be sold on favorable terms, in which case a sizable lump sum would accrue to the company. It is much easier then to forecast minimum than maximum earnings, for income may at any time be supplemented by non-recurring profits of this character, lending an agreeable element of uncertainty to the situation.

Two recent events serve to illustrate the ability of the company in taking advantage of unusual opportunities to strengthening its position. Due to special circumstances in connection with the former ownership, Childs Co. was able to acquire the entire capital stock of the Boos Brothers Cafeteria Co., operating six restaurants in Los Angeles, at a cost of 1.4 million dollars, the purchase being financed by an issue of four-year notes. Boos Brothers has an annual gross of 4 millions and an estimated net of 10% of this amount. With an annual profit on the investment of nearly 30%, Childs should be able to defray the entire cost out of profits before the maturity of the notes in 1931, besides deriving additional income equivalent to more than $1 per share annually on its own common stock.

The other event referred to was the deal by which the company is opening a new restaurant in the Paramount Building in Times Square, New York, supplying only the movable equipment itself, the permanent fixtures and rent being taken care of by Paramount Famous Lasky Corporation, which is to share in the profits. In this way Childs is relieved of the major part of the responsibility, and, should the project fail to fulfil expectations, could simply move its equipment to another location with virtually no disadvantage to itself.

The return on the investment in the case of successful chain store common stocks is proverbially low, the exigencies of expansion requiring the employment of surplus funds in that manner as far as practicable. Childs common, paying $2.40 in cash per annum, compares well with the average in this respect, but even so the cash return is less than 5% at prevailing levels for the stock, a fact which may contribute towards its lack of aggressive market action. For the past three years, the cash dividend has been supplemented by 4% annually paid in common stock, but there is no definite assurance that this will be a permanent policy. A decision on this point covering the balance of the year is usually made in January, and it should consequently be known within a short time what is in store for stockholders during 1928.

Earnings Situation

Indications point to somewhat smaller earnings than usual as a result of 1927 operations, which might have some bearing on the question of continuing the present dividend policy. The upward trend in volume of sales is being maintained; 26.3 millions was reported for the first eleven months of 1927 as against 23.6 millions for the corresponding period of the previous year, but net income has failed to keep pace with gross business, partly due to depreciation charges substantially greater than in 1926. There is no segregation made thus far of the earnings contributed by Boos Brothers Cafeteria, but if the gross of this subsidiary is up to standard, total business of the Childs Restaurants is probably running somewhat behind that of 1926.

Third quarter earnings, as far as the balance available for stockholders was concerned, were particularly out of line with normal expectancy, amounting to only 11 cents a share on the common stock after allowance for preferred dividends, bringing the aggregate for the nine months to a figure equivalent to

(Please turn to page 470)

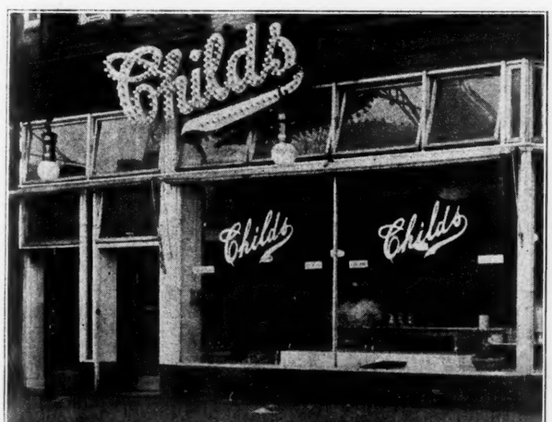
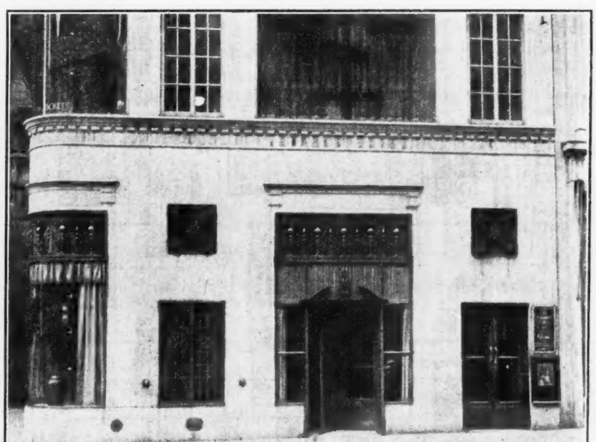


Photo by Brown Bros.

An Old Type Child's Restaurant



One of the New Restaurants on Fifth Avenue, New York

Outlook for Leading Sugar Producers

Five Leading Companies Compared—Market Position of Their Securities

By FERDINAND OTTER

IN this discriminating bull market, the behavior of the sugar shares has been typical. The shares of Porto Rican producers, representing companies which have the advantage of a 1.76-cent tariff differential over Cuba, have advanced with gusto; the stock of Great Western Sugar Company, a corporation hampered by unusual refined competition but able to produce beet sugar at a low cost, have gained moderately; and the shares of Cuban producers, organizations ground down by world tariffs against them everywhere, have done practically nothing. The market has been giving an excellent analysis of the world sugar situation.

Probably never in modern times has any commodity had such an eventful history in such a short time. Shutting off the normal supply of beet sugar from Central, Eastern and Western Europe, the war resulted in an abnormal development of sugar producing capacity in the cane producing countries such as Cuba, Java and Porto Rico. At the close of the conflict, in order to make beet production again profitable in competition with cheap cane sugar, France, Germany, Czecho-Slovakia and other nations erected tariff barriers and stimulated home output. Cuba, especially, lost sources of demand as a result. The markets which she had equipped herself to supply by increasing productive capacity from under 3,000,000 tons to over 5,000,000 tons went back to beet sugar—and there was no possible way for her to help it.

Her efforts to limit output have been successful, but have not accomplished their end; for other cane producing nations have not cooperated. The net effect of the Cuban limitation of output policy seems to have been to increase the average production cost per pound on the island and to make the world market which Cuba shares with other countries more profitable than they otherwise would have been to the other countries. While Cuba has been reducing its annual crop, Java has been sending more cane to market and the world beet production, stimulated by tariff barriers, has increased further.

By way of generalization, it seems logical to begin any discussion of sugar producing companies with a few thoughts firmly fixed: (1) With Cuba able to increase output from 500,000 to 1,000,000 tons annually on short notice, with beet sugar subsidized the world over, with crop risks widely diversified, and with a world surplus already, there is no danger of a world sugar shortage; (2) This is an era of low world sugar prices, with the prosperity of most companies dependent on a tariff; and (3) The Cuban producers, although probably able to turn out sugar at a lower cost than any competitors, are at a tremendous disadvantage under present tariff conditions.

[Those interested in a more detailed analysis of the world sugar situation along the lines followed above are referred to the "Con" division of "What's Ahead in Sugar" on page 855 of the September 10th, 1927, issue of THE MAGAZINE OF WALL STREET.]

PUNTA ALEGRE SUGAR CO.

WITH the thoughts about Cuban sugar producers fresh in mind, let us first consider the affairs of Punta Alegre Sugar Company, probably one of the best situated producers on the island. This company is equipped to turn out 1,600,000 bags (325 lbs. each) of sugar annually. Last year, with the output of the island limited to 4,500,000 tons, it was allowed to produce but 1,203,945 bags; and next year, if the government reduces the maximum of the island to 4,000,000 tons, its output will be even less. In 1927 Punta produced sugar at a cost of 2.246 cents a pound compared with a cost of 1.964 cents in 1926 when production was 195,360 bags larger. In spite of the fact that a large acreage of cane, planted in better times, now is ready for harvest (sugar is a perennial plant which it takes a few years to develop) it actually is bringing to market only a little more sugar than three or four years ago—all because of the Cuban restriction. If it could operate at capacity, Punta probably could get its costs down below 1¾ cents a pound. As it is, costs are a full half cent higher and production is 400,000 bags annually below capacity. Punta perhaps would be better off without any restrictions at all.

But all this is academic. The restrictions exist and are almost certain to continue. Practical analysis, therefore, must be based on what the company is able to do under difficulties. Last year (the fiscal period ended September 30, 1927), selling sugar at an average price of 2.818 cents f.o.b., net earnings from producing activities, after bond and other interest and all charges, were $1,162,550, or $3.04 a share on the 381,537 shares of capital stock of $50 par value issued. The fact that the company charged $850,000 to surplus to liquidate losses on a refining contract with Pennsylvania Sugar

Five Sugar Stocks Compared

	Recent Price	Annual Dividend	Latest Per Share Earnings	1927 Range[a] High	Low
Cuba Cane Sugar, pfd...........	30	Nil	$1.88[2]	50¾	28⅜
Cuban American Sugar..........	20	$1.00	0.39[4]	28½	18⅞
Great Western Sugar............	36	2.80	1.28[5]	44⅝	36
Punta Alegre Sugar.............	30	Nil	3.04[6]	46⅞	27
South Porto Rico Sugar.........	37	2.00[1]	4.01[2]	42⅝	33⅞

(1) Also pays extras. (2) Year ended September 30, 1927. (3) To December 10. (4) Year ended September 30, 1926. (5) Year ended February 28, 1927, on present no par common. (6) Before deducting loss of $850,000 sustained in liquidation of old refining contract.

Company (which contract will not be renewed at its expiration on December 31st) really has little bearing on the company's future earning power, so this is ignored. If the loss on the refining contract is deducted from last year's net, earnings were less than $1.00 a share.

Punta has a most reasonable capitalization. Funded debt is 14¼ million, and each of the 381,537 shares has back of it a productive capacity of about 1,400 pounds of raw sugar. Even last year, with the crop restricted to 1,200,000 bags, output was over 1,000 pounds per share. On a profit margin of half a cent a pound, therefore, Punta can earn, even with Cuba's crop restricted to 4,500,000 tons, around $5.00 a share. Of course, the half cent margin after interest cannot be taken as assured, but it is a possibility. Punta's cane fields are comparatively young with costs consequently low.

For all this, until there is a definite improvement in the sugar situation in Cuba dividends are not in sight and the outook for the stock is decidedly uncertain. The encouraging point is that Punta Alegra stock probably would be one of the first issues to reflect improvement in the state of the industry on the island.

CUBA CANE SUGAR CORPORATION

CUBA CANE SUGAR CORPORATION is the largest producer on the island, but is not such a low cost producer as Punta and is troubled with what has seemed for years (even in good times) to be a burdensome capitalization. Due to government restrictions last year, the company's crop had to be reduced practically 20% from the year ended September 30, 1926, consequently the cost of producing sugar advanced from 2.145 cents to 2.493 cents a pound. Although operating profit increased from $2,330,071 to $5,275,599 due to an increase in the average selling price of the commodity from 2,321 cents to 2.964 cents a pound, after bond interest and depreciation (perhaps not as adequate as in the case of some other units) there was a net of but $1.88 a share for the 500,000 shares of 7% preferred stock on which there is a back dividend accumulation of $47.25 a share.

Financial position is fair, current assets at the end of September being 25.4 million against 8.5 million current liabilities, but the company has a bank debt of around 6 million to supplement its 34.5 million funded debt of which 25 million comes due January 1, 1930. The problem of refunding the 1930 maturity is likely to be a big one unless there is early improvement in the sugar situation. It is a matter which any analysis of the company must not ignore.

If sugar prices could have been reasonably satisfactory for the past two or three years, Cuba Cane Sugar could have made some progress in overcom-

(*Please turn to page* 468)

Preferred Stock Guide

These stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	7.8	No	73	52	82	4.9
Chicago & North Western	7 (N)	6.2	No	126	97	149	4.7
Colorado & Southern 1st	4 (N)	8.9	100	66	47	75	5.3
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	F106	F83	109	5.5
Pere Marquette Prior	5 (C)	10.2	100	96	63	99	5.1
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	X104	X92	108	5.6
Hudson & Manhattan R. R. Conv.	5 (N)	5.9	No	80	25	87	5.8
North American	3 (C)	7.3	55	52	38	54	5.6
Philadelphia Company	3 (C)	6.5	No	51	41	53	5.7
Public Service New Jersey	8 (C)	3.0	No	124	95	134	5.9
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	122	86	129	5.4
American Steel Foundries	7 (C)	7.4	110	115	97	114	6.3
Associated Dry Goods 1st	6 (C)	4.8	No	102	75	111	5.4
Baldwin Locomotive	7 (C)	3.3	125	119	104	121	5.7
Brown Shoe	7 (C)	4.4	120	111	85	123	5.6
Endicott Johnson	7 (C)	4.9	125	120	104	124	5.6
General Motors	7 (C)	12.0	125	122	79	125	5.6
Inland Steel Co.	7 (C)	F8.0	115	F115	F96	116	6.0
International Silver	7 (C)	2.8	No	108	90	125	5.6
Studebaker Corp.	7 (C)	26.8	125	125	100	123	5.6

For Income and Profits

SOUND INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	75	5.3
Kansas City Southern	4 (N)	4.8	No	68	52	72	5.6
St. Louis-San Francisco	6 (N)	12.0	100	97	34	101	5.9
St. Louis Southwestern	5 (N)	2.6	No	80	32	92	5.4
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	H89	H48	84	7.1
Continental Gas & Elec	8 (C)	T4.0	110	T105	94	109	7.3
Electric Power & Light	7 (C)	1.7	110	99	89	108	6.5
Engineers Public Service	7 (C)	S2.4	110	X99	X94	108	6.5
Federal Light & Traction	6 (C)	5.0	110	H91	H74	99	6.1
Kansas City Pr. & Lt.	7 (C)	T3.1	115	F110	F91	115	6.1
West Penn Electric	7 (C)	....	115	X102	X95	111	6.3
Standard Gas & Elec	4 (C)	2.5	No	57	41	65	6.2
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	96	52	98	6.1
American Metal Co., Ltd	7 (C)	8.0	110	120	103	112	6.3
American Sugar Refining	7 (C)	1.6	No	110	84	106	6.6
Associated Dry Goods 2nd	7 (C)	6.9	No	110	76	114	6.1
Bethlehem Steel Corp	7 (C)	3.1	No	105	87	117	6.0
Bush Terminal Buildings	7 (C)	1.1	120	103	87	117	6.0
Central Alloy Steel	7 (C)	....	110	X107	X106	107	6.5
Cuban American Sugar	7 (C)	6.9	No	106	68	102	6.9
Deere & Co.	7 (C)	F1.7	No	110	61	116	6.0
Devoe & Raynolds 1st	7 (C)	T6.1	115	F100	F90	110	6.4
Genl. American Tank Car	7 (C)	3.3	110	109	86	111	6.3
Gimbel Brothers	7 (C)	4.2	115	114	93	98	7.1
Goodrich (B. F.) Co	7 (C)	3.1	125	102	67	110	6.3
Pillsbury Flour Mills	6½ (C)	....	110	‡106	‡104	107	6.0
Reid Ice Cream	7 (C)	T6.9	110	T100	T92	110	6.3
U. S. Cast Iron Pipe	7 (N)	5.0	No	118	50	122	5.7
U. S. Industrial Alcohol	7 (C)	4.3	125	115	89	119	5.9

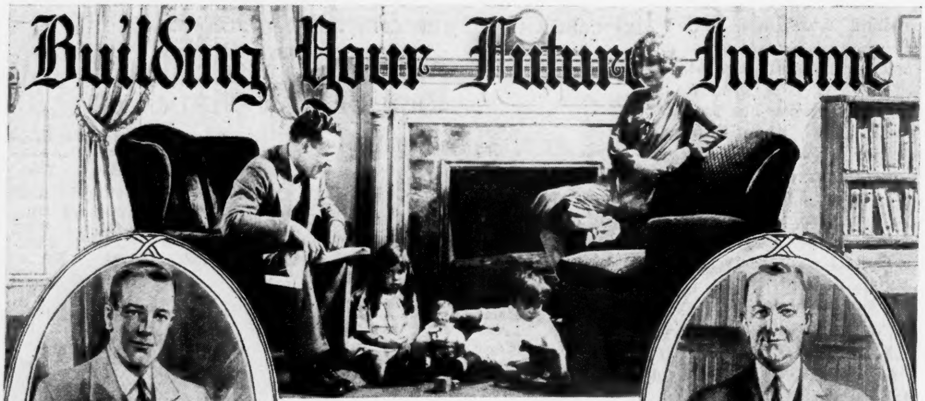
SEMI-SPECULATIVE

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Gulf, Mobile & Northern	6 (C)	1.6	No	109	16	108	5.6
Wabash "A"	5 (N)	....	110	78	19	93	5.4
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	T97	80	110	6.4
Consolidated Cigar	7 (C)	4.4	110	107	47	100	7.0
Goodyear Tire & Rubber new	7 (C)	....	....	....	..	95	7.4
International Paper	7 (C)	1.6	115	T100	T86	109	6.4
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	105	6.7
Orpheum Circuit Conv	8 (C)	3.0	110	107	84	104	7.7
Radio Corp. of America	3.5 (C)	F3.6	55	F54	F40	56	6.2
U. S. Smelt., Ref. & Mng	3.5 (C)	1.2	No	50	38	51	6.8
Universal Pictures 1st	8 (C)	7.6	110	T103	T90	100	8.0
Victor Talking Machine Prior	7 (C)	S5.4	115	‡100	‡97	102	6.9

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. X—Price range 1926. § 1922-1926. C—Cumulative. N—Non-cumulative. ‡ 1927.

EDITORIAL PAGE

Building Your Future Income



TO-DAY-The Young Executive

TO-MORROW-The Business Leader

This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.

What Investments Really Earn

IT all depends on whether you look upon your investments from a human standpoint or from a statistical standpoint, as to how much your capital will really earn. If your investments mean nothing more to you than dollars and cents, you will get about $55 from each $1,000 invested in a good bond and no more. But, if you can appreciate the human side of an investment you will get $55 *plus.*

The other day we received a letter from a young man in his early thirties. When he was twenty-five years old he had nothing but a good salary and the popular notion that he could enjoy himself only by spending all he earned. Then he got married and began to take life's responsibilities a bit more seriously.

Without being miserly about it, he started to save some of his income. Much to his own astonishment, and due no doubt to the encouragement of his new life partner, he discovered that he got as much of a thrill from the accumulation of savings as he had previously gotten from reckless spending. He bought life insurance to protect his wife and the inevitable babies. He opened a savings account and subscribed for savings and loan shares. He bought some investment securities.

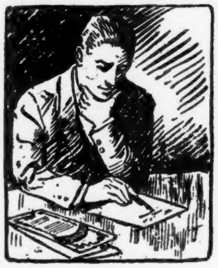
So far his investments were little ventures; made cautiously and without much ado. His next step was a big one; its importance almost overawed him, he confessed to us. He bought a home, selling a few bonds for the down-payment and getting a small second mortgage. That was a few years ago.

By this time, he has paid off the second mortgage entirely, reduced the first mortgage and substantially increased his investment reserve. And this is what he writes about his investments:

"Some people look on their investments as something that pay 5.5 per cent. I get that, too, but I take it as a matter of course. The real return is ever so much more valuable to me than a mere 5.5 per cent. My insurance gives both myself and my family peace of mind concerning the uncertainties of the future. My cash reserve in the bank gives me assurance that I can meet any of the little unforeseen emergencies that used to worry me. My home pays 8 per cent as an investment and millions in happiness and family comforts. My investments give me much satisfaction now and a fearless outlook for the future.

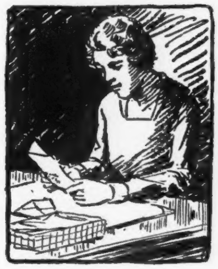
"How people cheat themselves when they obtain only so much per cent cash from their investments!"

"Intelligent Use of Present Income Will Assure Financial Independence."



How to Analyze Your Investment Holdings

A Series of Educational Investment Articles



United States Rubber Company
First and Refunding Series "A" 5s 1947

THIS issue is one of the more "obvious" types of standard investment bond, which returns a fairly liberal rate of income on its present market level, due more to the highly competitive state of the industry in which the company operates rather than to any inherent weakness in the issue itself. Over-capacity in the rubber industry, particularly in the tire division, has resulted in very strong competition among the leading companies and various trade practices, such as perennial price cutting, reduce the current profit margins of the companies. The U. S. Rubber Company's tire business represents only about one-third of its volume of sales, however, and the dominating position of the company in the industry gives it recognized advantages which do not appear to be fully reflected in the present market position of this issue.

The bonds themselves are in every respect a well secured investment. They are secured by a direct first mortgage on the physical properties of the company as well as by the deposit of the shares of most of the important subsidiaries. In the indenture, adequate provision is made to keep the company's liquid position satisfactory by restricting dividend payments on the stock. The outstanding amount of bonds of this issue is approximately 60 million dollars, whereas the company's total assets exceed 350 million dollars on book valuations, about half of which is physical property and the balance in inventories, securities, notes payable and other current assets.

The earnings of the company have fluctuated, as might be expected from the earnings of any company engaged in a highly competitive industry, the nature of which makes it essential to carry large inventories and raw materials. Interest on the funded debt, however, is covered, even in the less profitable years, by a satisfactory margin. Only in the depression year 1921 did the company fail to earn its full funded debt charges after writing off inventory losses and the failure to show a profit in that period was due largely to adjustments on the inventory account. Over the past ten years interest on all debt was earned about 2½ times over. This issue of first and refunding 5% bonds is the senior bond of the company, followed by about 40 millions of two issues of notes. The present market value of preferred and common stock, representing the equity after the funded debt exceeds 100 million dollars. For income purposes primarily, but not without reasonably interesting prospects of market enhancement, these bonds might well be included in one's current investment list.

BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings banks accounts are recommended for deposits of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953	105	5.15%

THE NEXT $1,000

†International Mercantile Marine 1st & coll. 6s, 1941	105	5.45%
*Montreal Tramway gen. & ref. 5s, 1955	99	5.05%
‡†N. Y. Steam Corp. 6s, 1947	108	5.34%
†Western Pacific 1st 5s, 1946	100	5.00%

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	98	5.12%
Shu'co Co., Inc., Guar., Ser. "B" 6½s, 1946	103	6.23%
U. S. Rubber 1st 5s, 1947	95	5.40%
West Penn Electric $7 Pfd.	111	6.30%
U. S. Smelting & Ref. $3½ Pfd.	52	6.70%
American Sugar Refining $7 Pfd.	107	6.55%

THE NEXT $5,000 (a)

Seaboard Air Line 1st Cons. 6s, 1945	96	6.35%
Nassau Electric 4s, 1951	56	8.30%
Western Maryland 1st 4s, 1952	86	5.00%
Brooklyn-Man. Tr. $6 Pfd.	84	7.15%
International Paper, $7 Pfd.	108	6.45%
‡American Tel. & Tel. common ($9)	179	5.05

* Available in $100 units. † Available in $500 units.
‡ Recommended to hold only.
(a) This group is selected with a view toward probable enhancement in principal.

Practical Pointers for the Prospective Home Builder

A Liberal Education in Home Owning from the Financing to the Construction

By G. E. LANDT

HOME owning is just an average human accomplishment. Home building is also merely average, but judging by the ratio of home builders to owners, building is an accomplishment of a higher order, for about one out of ten home owners builds his own house.

I am not engaging in a polemic on the relative merits of buying versus building. My wish is to develop the principles underlying the acquirement of a house, since they are identical. Thus, renters who have visions of home owning but have not essayed to venture on their project, may become acquainted with the factors involved. This article is written from the viewpoint of building a home because, while the factors involved in buying a house are identical with those in building one, their application in the latter is more complex. Furthermore it is based on personal experience which has been in building houses at various times.

Either buying or building is a venture—building has always struck me as being *an adventure* as well. That is why I build, for if circumstances call for the disposal of my home—I always build again. This venture requires knowledge along three lines, the economics of home owning and building, the procedure of acquiring a home, and the principle, of its construction. Again let me reiterate, that these principles are the same in both building and buying houses.

The economics of building houses involves the questions of financing the venture, and of developing a sound financial venture. Few of us can afford to lose money on a home if we are required to sell it. A house should therefore be a sound financial venture. In my mind, there are just two things of fundamental importance in making it so; the house should be constructed so that it will sell; and it should have a satisfactory location.

The automobile has revolutionized the factors which make for good location so that old precepts may be unreliable. Broadly speaking one should purchase or build in a community which is growing. Regardless of paved streets, closeness of schools, etc.; if every year adds its quota of homes to your neighborhood, values are bound to be maintained or even to increase.

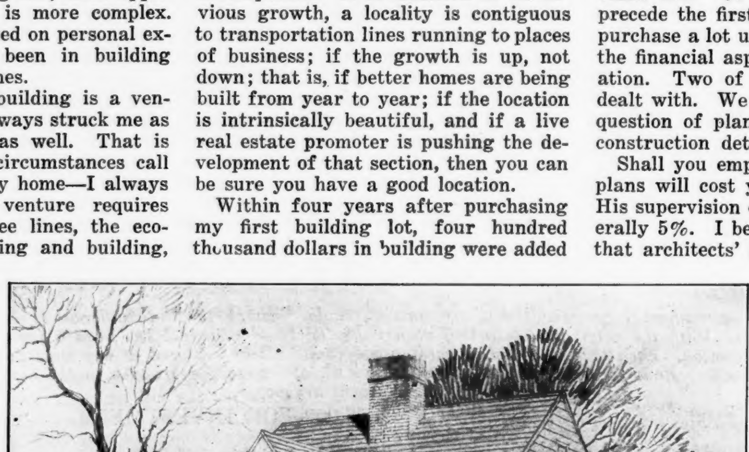
There is only one certain way to judge whether or not a neighborhood will grow, and that is by its past performance in this respect. I have seen neighborhoods grow which apparently violated many precepts of real estate development. If in addition to its obvious growth, a locality is contiguous to transportation lines running to places of business; if the growth is up, not down; that is, if better homes are being built from year to year; if the location is intrinsically beautiful, and if a live real estate promoter is pushing the development of that section, then you can be sure you have a good location.

Within four years after purchasing my first building lot, four hundred thousand dollars in building were added to the neighborhood in a radius of one city block. That property will sell today at a profit of 30% to 40% on its first cost, even though the real estate index has been declining since its construction. My present house was built on a lot purchased eighteen months ago. Since then two hundred thousand dollars' worth of real estate has been added to the immediate neighborhood. This growth spells maintenance of value in adjacent property.

The procedure *in purchasing a house* is very simple; you go to all real estate dealers, select or reject from their wares as you see fit.

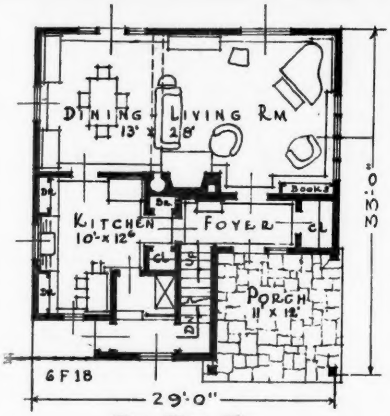
In building a house, the first step is the purchase of a lot; then plans should be drawn and estimates and bids rendered, then the financing should be provided for. Or the second step may precede the first if you do not wish to purchase a lot until you have appraised the financial aspects of the entire situation. Two of these steps have been dealt with. We will now deal with the question of plans, contracts and other construction details.

Shall you employ an architect? His plans will cost you 3% of the project. His supervision of the operation is generally 5%. I believe as a general rule that architects' houses cost more than those where they are not used. If a house is to be simple and cast in a conventional mold, particularly if the house is to cost under ten thousand dollars, I believe that the expense of the architect's service can be dispensed with safely. Plans for such houses can be obtained for a nominal sum from various architects' bureaus and home building magazines. Discretion should be used, however, because this source for plans opens an avenue to a terrible mess of cheap



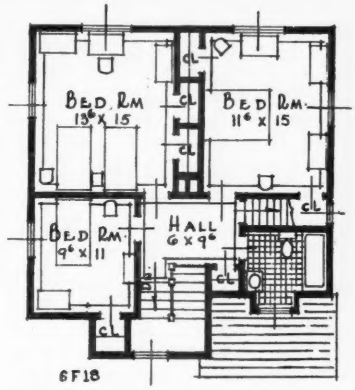
Copyrighted by The Architects Small House Bureau

A beautiful low cost home especially designed for the amateur builder



First Floor Plan

These are the floor plans of the six-room stucco and shingle home pictured on the opposite page, designed by the Architects Small House Bureau, Atlantic Division, and estimated to cost from $7,500 to $11,500 depending upon the section of the country in which the home will be built. Complete plans for houses of this type furnished by the Bureau—a semi-philanthropic organization—at a nominal cost.



Second Floor Plan

houses, fostered by various associations for various advertising ends. Where an architect is dispensed with, recourse should also be had to someone who understands contracts or this knowledge may be developed by the prospective builder from readily available sources.

With plans in hand these, along with complete specifications should be let out to building contractors. Select a half dozen with the best reputations in your vicinity. Make a point to include any who may operate from outlying country districts. Then don't be surprised to see a spread of 50% in the bids.

Some contractors can work more efficiently than others—just as is the case with competing manufacturers. Some have to make more money than others off of one job as they may handle two or three jobs a year against the other ten or a dozen. Then let the bid on a straight contract basis to the lowest bidder of good reputation on the basis of a written contract. I've built both straight contract price and cost plus 10%. *But the latter should not be used by the average builder.*

The question of financing the venture is not complex, but nevertheless somewhat terrifying when one's experience is foreign to such procedures. The methods of financing vary widely with the means of the individual and the characteristics of the vicinity. A first mortgage is usually readily arranged at one's bank, without costs excepting those involved in searching the title office for records, and some times supplying title insurance. Certain nominal charges for drawing up a mortgage and recording it are also made. In all, these charges should be between ½% and 1½% of the sum of the mortgage. Banks will usually allow 60% of the cost of the property as a first mortgage. Very few banks are interested in giving second mortgages. And when building is contemplated, property must be free of encumbrance before a mortgage will be given.

If a wider margin of financing is necessary than this, Building and Loan Associations afford a ready means of obtaining accommodations. Amongst these, the rules of business vary from locality to locality. Some will pay out money while the building is under construction; others must have a completed building before they will do this. Some will pay out money immediately on request—after necessary surveys have been made—others require several months' notice. Some give only first mortgages, others will give second mortgages. Intimate knowledge of the procedure which is current will eventually expedite operations satisfactorily.

Building and Loan Associations will generally loan up to 75% to 80% of the value of the property, and sometimes more than this if a responsible person will give a bond for a certain portion of the mortgage. In my opinion the best method of financing is to place a first mortgage with a bank and a second with a Building and Loan Association, splitting the money borrowed equally between the two. This permits regular payments of the mortgage without being too heavy a drain on the individual.

When a house is purchased the question of value in determining the mortgageable limit is very simple—it is taken as the cost price of the property. In building a house, the problem is quite different. In that case cost price need have and should have no direct bearing on value. I have had bids of eight thousand dollars and twelve thousand dollars on the same set of plans and specifications from equally reliable contractors. Did it follow, therefore, that a bank was entitled to give a mortgageable limit on this property of forty-eight hundred dollars or seventy-two hundred dollars? Had the higher bid been accepted, then the mortgage risk would have been greater by twenty-four hundred dollars, yet the market value was substantially the same. In spite of this, financial institutions usually estimate the mortgageable limit from the cost of the property—and sometimes also take into consideration its possible resale value.

In estimating the cost of a building operation, and presenting your proposition for mortgage consideration, add from fifteen to twenty per cent to your overall figure. Then you will be somewhere near the cost to you of the operation. The cost of a lot is quite definite. That of a house is still less definite. But a house on a lot is not

(Please turn to page 472)

THIS is the prize winning article in the BYFI Christmas Contest—Home Owning Division. It is one of the most practical discussions of the home question that has ever been published by this department and should prove to be immensely helpful to those who are anticipating the building of their own home as well as readers now in the renting class. A number of other splendid articles on home owning, received in this contest, will be published in subsequent issues.

Insurance-Thrift Plans Make Savings Compulsory

"Ready-Made" Plans Becoming Popular Despite Misconceptions

By HERMAN L. RICHTER

HAVE you heard about the new insurance - thrift plans?

For some time past, a veritable army of sagacious elders and enthusiastic young salesmen have undertaken to sell the idea of "guaranteed thrift" to the American public. Armed with formidable appearing contracts and sales talk that has a suggestion of something-for-nothing about it, they are taking the inhabitants of offices, stores and homes by storm. And yet, in spite of the fact that these various plans are usually over - emphasized as to the actual benefits, the protection-plus-investment idea is nevertheless a sound one and provides a new incentive to frugality.

A Sure Cure for Financial Fickleness

These ingenious systems are known by various titles. Some are called simply a *Thrift Plan;* others bear some such elegant description as *The Cumulative Estate Plan;* then there are others like *The Assured Estate and Insured Savings Plan.* These titles all stand for the same thing. In substance there is one basic idea — combining savings deposits with straight life insurance. If you have had one of these thrift plans presented by one of the energetic representatives you will recall a story which goes something like this:

"Mr. Jones, I represent the X Y Z Trust Co. We have a remarkable plan for saving money that I'd like to explain to you. It works something like this. If you'll agree to make regular monthly deposits with us for a period of 10 years, instead of with a savings bank, we will give you special inducements.

"Say, you decide to put away $50 a month—that is $600 a year. In 10 years you will have put away $6,000.

Insurance-Thrift Plan — Age 30

(Consisting of Ordinary Life Policy, Accident and Health Policy with Savings Interest at 5%)

Annual Deposit—$600.00†

End of Yr.	Amount Deposited	Withdrawal Value: Bank Balance	Withdrawal Value: Cash Value of Policy	Withdrawal Value: Total	Death Benefit (Bank Balance plus insurance protection)	Accidental Death Benefit*
1.	$600	$471	......	$471	$6,471	$17,871
2.	1,200	991	......	991	6,991	17,791
3.	1,800	1,536	$136	1,692	7,536	17,736
4.	2,400	2,110	271	2,321	8,110	17,710
5.	3,000	2,714	275	2,989	8,714	17,714
6.	3,600	3,350	347	3,697	9,350	17,750
7.	4,200	4,016	437	4,453	10,016	17,816
8.	4,800	4,718	530	5,248	10,718	17,918
9.	5,400	5,457	624	6,081	11,457	18,057
10.	6,000	6,255	720	6,975	12,255	18,255

* Representing the bank balance, plus double indemnity on the Ordinary Life Policy plus the value of the annual deposits guaranteed by the accident and health policy. † Payable $50.00 a month.

THE author of this article is an insurance man who sees much good and some bad in the Insurance-Thrift plans that are becoming so popular these days. His views are both interesting and educational and the statistical proof to back his contentions are most convincing.

Well, we'll return this $6,000 to you and interest besides.

"But that isn't all. Should you be disabled during this time for more than two weeks, we will make these deposits for you as long as you are disabled, and furthermore when you get well, you'll not have to make these deposits good.

"Again, should you die, we would pay your beneficiary, the entire amount you intended to save in addition to the balance you have in the bank.

"On the other hand, should you die by accident, we would pay your beneficiary twice the amount you intended to save, namely, $12,000 plus your bank balance plus the remaining deposits you would have made had you lived the balance of the 10-year period. In other words, very close to $18,000."

"Now, isn't this really a remarkable plan?"

And should the listener answer "yes," he is asked to sign on the dotted line.

No doubt many contracts are signed with an entirely erroneous impression of what the client is buying. He imagines he is getting something for nothing and under usual circumstances would be very mistrustful. But in this case he feels that if the X Y Z Trust Company says so, then it must be true. Why should he worry? Isn't he going to get a bankbook showing credit for his full deposit?

Let us see what the real facts of the case are, aside from such trustful impressions.

First of all, under no circumstances, does the solicitor represent the bank. He represents either directly some life insurance company or a life insurance agency, which is using some innocent name such as A Mutual Thrift Organization. These solicitors get no remuneration from the bank, but from the insurance which they sell. The banks do not guarantee this whole plan. It merely acts as a depository and fiscal agent for the depositor, receiving his money, paying his insurance premiums and investing the balance. The bank guarantees nothing but the safety of the funds in its own possession.

Secondly, the buyer gets an impression that the protection provided for does not cost him anything. He gets that free of charge in addition to the interest as a sort of premium for making his deposits with that particular bank.

That is a very erroneous impression. What actually happens is that the depositor buys a life insurance policy on the straight life plan for the face amount that he intends to save in ten years; also in some cases an accident and health policy, which guarantees the deposits in case of disability. The bank is to pay the premiums on these two policies out of the monthly deposits that he makes. The balance is either to accumulate interest at the usual savings bank rates of 4 or 4½% in case of savings banks or is invested in bonds (usually 5½% first mortgage certificates) in case of trust companies. Usually a charge of ½% is made by the bank for its services in this matter.

If the insured desires to withdraw from the plan at any time or at the end of the ten-year period, he gets what is left in the bank and also the cash value of the policy. In case of disability or death, the protection that the policy affords comes into play.

This plan, even when shorn of its sales-trimmings, is a very worthy one and it is unfortunate that some salesmen choose to present the plan in a manner which is very misleading. The advantages of this plan are two-fold. First of all the insured is afforded a definite, apparently compulsory form of regular and systematic saving. Secondly, the insured is relieved of the care of paying premiums.

It may seem that these advantages are not very outstanding. Yet, the results of this plan with its nearest counterpart, namely, endowment insurance, is compared in the accompanying table. Notice the difference in actual results. Both these methods are alike in two respects. Both of

(*Please turn to page* 474)

Ten-Year Endowment At Age 30

(Including Disability and Double Indemnity)

Annual Premium—$635.04

End of Yr.	Amount Deposited	Withdrawal Value: Guaranteed Cash Value	Withdrawal Value: Accumulated Dividend*	Withdrawal Value: Total	Death Benefit	†Accidental Death
1.	$635.04	......	......	......	$6,000.00	$12,000.00
2.	1,270.08	$906	$79.74	$985.74	6,079.74	12,079.74
3.	1,905.12	1,476	171.85	1,647.85	6,171.85	12,171.85
4.	2,540.16	2,052	277.09	2,329.09	6,277.09	12,277.09
5.	3,175.20	2,652	477.27	3,129.27	6,477.27	12,477.27
6.	3,810.24	3,258	614.96	3,872.96	6,614.96	12,614.96
7.	4,445.28	3,906	768.55	4,674.55	6,768.55	12,768.55
8.	5,080.32	4,578	939.03	5,517.03	6,939.07	12,939.07
9.	5,715.36	5,274	1,127.69	6,401.69	7,127.69	13,127.69
10.	6,350.40	6,000	1,336.63	7,336.63	7,336.63	13,336.63

* 1927 basis. † Double indemnity.

TRADE TENDENCIES

Prospects Favorable For New Year

Optimistic Note Apparent in Most Basic Lines—Buying Grows More Liberal—Prices Generally Firm

STEEL

Prospects Improve

FURTHER evidence that the steel industry is about to experience considerable expansion in activity is noted in the stiffening of prices and the rising tendency of production. The attitude of consumers is generally more liberal, and many buyers are covering requirements well into the first quarter on the belief that the advent of the new year will see a marked improvement in trade conditions. Recent holidays are responsible for some restraint in early increase in operations but it is not feasible, with heavier business in sight, that producers will find any justification in keeping schedules at their present low level. It is of interest that production during the past six months has been subject to only slight variations. While present output represents a severe decline from the March rate, which established a record, the stability and uniformity of production during a period of lower prices augur well for

(*Please turn to page* 471)

COMMODITIES*

(See footnote for Grades and Unit of Measure)

	1927 High	1927 Low	*Last
Steel (1)	$35.00	$33.00	$33.00
Pig Iron (2)	19.00	17.00	17.00
Copper (3)	0.14¼	0.12½	0.14
Petroleum (4)	1.90	1.03	1.28
Coal (5)	2.37	1.75	1.75
Cotton (6)	0.24⅜	0.12½	0.19¾
Wheat (7)	1.58½	1.37⅞	1.51⅛
Corn (8)	1.21⅜	0.85¼	1.07
Hogs (9)	0.12¼	0.08¼	0.08¼
Steers (10)	17.00	10.50	16.00
Coffee (11)	0.16¼	0.13⅛	0.14
Rubber (12)	0.42⅜	0.30	0.40
Wool (13)	0.47	0.42½	0.46
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.05⅛	0.04½	0.04⅝
Sugar (16)	0.06½	0.05⅞	0.05⅞
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	23.15	19.15	19.98

*Dec. 17.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

TREND IN MAJOR INDUSTRIES

STEEL—Confidence marks steel buying as industry strengthens under stimulus of heavy railroad commitments and sustained structural buying. Automotive industries are beginning to meet 1928 requirements. Improvement in pig iron sales continues at firm prices.

METALS—Outlook for non-ferrous metals is generally promising despite the fact that copper stocks increased nearly 7,000 tons during November. Lead shows a salutary reduction in available supplies. The price trend of the principal metals is slowly upward.

PETROLEUM—Present outlook holds little encouragement for nearby improvement in view of continued large stocks of crude and a seasonally high rate of production. Stocks of gasoline may also be expected to increase from now on in anticipation of record demand in the spring and summer of 1928.

RAILROADS—For the first ten months Class I roads show a decrease of 2.6% in net as compared with the same period in 1926. The net return on property investment averages approximately 0.6% lower than a year ago. As usual traffic in closing weeks of 1927 has been at low ebb.

TEXTILES—Whereas some New England cotton mills have been obliged to reduce wages, Southern mills continue high activity with orders well ahead. Cotton goods markets are recovering and if the raw staple maintains fair price stability the industry may be expected to continue its improvement during the coming year.

RETAIL TRADE—It is generally estimated that the Christmas turnover in most centers has been larger this year than in 1926. A great diversity of merchandise lines has benefited by this business. The year has been a record for chain store sales.

AUTOMOBILES—Tremendous enthusiasm greeting the new Ford foreshadows extreme competitive conditions throughout the low-priced field and many new models are expected to appear. At present production is at the year's low, but plans are under way for an extensive sales campaign in early spring. As a whole prospects are considered favorable to automobile and allied industries.

BUILDING—November's total of contracts let fell 17% below the preceding month but were only 4% below November, 1926. 46% of contracts was for residential construction. Engineering construction and public works is running far ahead of 1926.

SUMMARY—While early 1928 will doubtless be marked by keen competition there are indications that business in the first quarter will be of gratifying proportions. An encouraging, even though gradual, up trend in commodity prices suggests possibility of slightly more liberal profit margins.

·SERVICE·SECTION·

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription. Inquiries from non-subscribers of course cannot be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

ELECTRIC STORAGE BATTERY

Almost three years ago I bought 10 shares of Electric Storage Battery at 77, and recently averaged down my holdings by purchasing 10 more at 66. Do you think that I did the right thing? The fact that the stock advanced rapidly after I had made my second purchase is very satisfactory to me, but the issue has had several run-ups of this sort in recent years, and I am wondering whether this one also will flatten out.—T. V. C., Philadelphia, Pa.

Operating in a highly competitive field, Electric Storage Battery, by virtue of its strongly entrenched position, both financially and tradewise, has demonstrated very satisfactory earning power under normal conditions. It is one of the largest manufacturers of storage batteries in the world, products consisting of complete lines of automobile, radio and other units. Earnings in 1926 were equal to $7.31 a share of common. While results in the current year to date are not available, profits in the full 1927 year are practically certain to be somewhat lower than last year, reflecting a general slowing down in the automotive industry and the wider use of radio receiving sets without batteries. However, the company is marketing new batteryless radio units, and has not been idle in extending its field of battery sales in other directions. It recently completed, in conjunction with General Electric Co., the world's largest electric storage battery locomotive. Barring the most drastic falling off in earning power, dividends at the current annual rate of $5 a share could be continued indefinitely and the comparatively liberal current yield compensates for the absence of nearby possibilities of substantial price appreciation. The long range outlook seems favorable, however, and we counsel holding.

FOUNDATION COMPANY

I am very much worried about my holdings in Foundation Company stock. I am a stockholder in the company, having bought my stock at 57. I am carrying it on a margin, but can afford to take it up and hold it if there is a good prospect of eventually having a profit on the commitment. You have advised me so well on several other stocks in the past that I am troubling you again.—A. H. C., Detroit, Michigan.

Foundation Co. is the largest enterprise of its kind, having a virtual monopoly of skyscraper work in New York City and other large centers, in addition to handling a large volume of industrial, power project, bridge and terminal construction throughout the world. Earnings were highly satisfactory in the four years ended with 1926, but operations have undergone considerable contraction this year, so that a deficit was reported in the first quarter, $1.03 a share in the first half year, and $3.90 a share in the nine months ended September 30th. The comparatively favorable showing in the third quarter seems to reflect income from old contracts, inasmuch as unfinished business reported early in November amounted to only 10 millions compared with between 35 and 40 millions earlier in the year. Financial condition is sound, but in order to conserve liquid assets in the face of an uncertain outlook, directors have elected to discontinue dividends. The future of the company depends on its ability to expand profitable operations abroad to offset indications of some further contraction at home. Resumption of dividends seems to lie some distance ahead, and sufficient uncertainty prevails in the situation to preclude possibilities of material price appreciation over a reasonable period of time. In the circumstances the shares cannot be held with entire confidence.

McCRORY STORES

I am a stockholder in McCrory Stores Corporation. I paid 61 for the stock. What has caused the sharp rise in the company's stock since early this year. Is there a possibility of the dividend being increased or a stock dividend being declared? Do you think the stock is going much higher?—V. R. L., Rochester, N. Y.

McCrory Stores Corporation, while not comparable in size with several of the more prominent organizations engaged in the retailing of five-and ten-cent merchandise, has, however, shown the same impressive expansion in its chain of operating units and earning power, which has been characteristic of this type of enterprise in recent years. The company operates a system of about two hundred stores located throughout Eastern and Southern states. Over a period covering approximately fifteen years, sales and profits have registered a gain of nearly

(Please turn to page 464)

When Quick Service Is Required Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Income Tax Department

Conducted by M. L. SEIDMAN

The Income Tax Department will appear regularly until the first March issue. Inquiries will not be answered except in these columns. The department is conducted by Mr. M. L. Seidman, C. P. A., a well-known tax expert and a close student of its various phases. Mr. Seidman, a member of the firm of Seidman & Seidman, is on the tax committee of the New York Board of Trade and Transportation and recently was appointed a State Representative to the National Tax Association Convention.

IN the preceding article we discussed the question of returns and who must file them. We pointed out that every individual who has a gross income of $5,000 or more is required to send in a report. We also mentioned that a return is due if the net income is over $1,500 or $3,500, depending upon whether the person is single or married. We concluded, however, that just because a return is filed did not mean that a tax must be paid, because the exemptions allowed may offset the net income. The question of exemptions was reserved for this article.

Every individual is allowed an exemption, and the amount of it depends upon whether he is single or married or is the head of a family.

Single Person's Exemption

In the case of a single person, the exemption is $1,500. That is how the $1,500 figure is arrived at in the requirement that every single person having a net income of $1,500 or more must file a return.

There has been some discussion in Congress about increasing the single man's exemption. Nothing definite has been done along those lines yet, and in any event, it looks as if any change would not affect 1927 returns.

Head of the Family

However, it is possible even under the present law, for a single man to have a larger exemption through the allowance made to the head of a family. If a person is the head of a family, he or she is entitled to an exemption of $3,500. To be the head of a family, two things must be present. In the first place, it is necessary to be the chief support of a dependent, and secondly, the dependent person must live in the same household with the one claiming the exemption. For example, a son who supports his parents who live abroad would not be the head of a family. However, if he lived with his parents, he would be allowed the $3,500 exemption.

Married Persons

Married persons are likewise allowed an exemption of $3,500, and just as the single man's exemption explained the rule for filing return, so we find that the exemption allowed the married man explains why the law says that every married person with a net income of $3,500 or over must file a return.

The peculiarity that we noted about the returns of a married couple and the fact that husband and wife are regarded as one for that purpose, also applies in the case of exemptions. That is to say, the $3,500 exemption is allowed to the husband and wife as a unit. If a joint return is filed by them, the exemption shown will be $3,500. If they file separate returns, they can divide the $3,500 between them, as they see fit. The husband can take it all in his return, or the wife can take it all, or they can each take a part. Often the manner in which they divide their exemption may increase or decrease the tax they would otherwise have to pay. That will be explained more fully in a later article.

In outlining the exemptions thus far, it has been assumed that the person has been single or married or the head of the family throughout the entire year. However, if a change in that respect takes place during the year, then the exemption is computed on a pro-rata basis. For instance, suppose a person is married on July 1. He will have been single for one half the year and married the other half. His exemption for the entire year, therefore, would be one-half the single man's exemption, which would come to $750, and one-half the married man's exemption, which would be $1,750, and make his total exemption for the year $2,500.

Or let us suppose that a single person becomes the head of a family on October 1. That would mean that he was single nine months and the head of a family three months. For the period that he was single, the exemption would be nine-twelfths of $1,500 or $1,125, and for the period that he was the head of a family it would be three-twelfths of $3,500 or $875, making the total exemption for the year $2,000.

Exemption of Corporations and Others

As for corporations, an exemption of $2,000 is allowed if the net income is less than $25,000, and no exemption is allowed if the income is more than that amount. We have not the correlation here between the exemption allowed and the requirement for filing a return, as found in the case of individuals, since every corporation must file a return, irrespective of its income.

Estates and trusts being regarded like single persons, are allowed the single person's exemption of $1,500.

Partnerships not being taxable as such, have no exemptions, although every partnership must file a return.

The exemptions that have been just outlined for individuals are those that every individual is entitled to, irrespective of the minimum exemptions that every individual is entitled to. However, they are not by any means the maximum. Individuals are entitled to exemptions for support of dependents.

Who Is a Dependent?

The rules governing exemptions for dependents are fairly simple. A person is allowed $400 for each dependent. The first inquiry that naturally arises is to find out what is meant by the word dependent. The definition is given by the law, and under it two requirements are laid down: First, that the dependent be either under the age of eighteen or else incapable of self-support; and second, that the one claiming the exemption must be the chief contributor towards the support of the dependent. It may be well to go into these requirements a little further.

Take the first one about the age of the dependent or the incapacity for self-support, a parent supporting a nineteen-year-old son through college could not, under the rule, claim the exemption for support of the son because of the limitation that the dependent cannot be over eighteen, unless there is incapacity of self-support. Taking the converse, a son would not be able to claim exemption for the support of his father if his father was able to earn his own living, even though he was not in fact doing so.

As regards the question of being the chief support, that arises where more than one person is a contributor. It is not uncommon, for instance, for several of the children of a family to contribute to the support of a parent. Where that is the case, only the one who is the chief contributor is entitled to claim exemption. If they all contribute equally, none of them can avail themselves of the credit.

Another point might be noted about the dependent, and that is that it is not necessary for the dependent in any way to be legally related to the person who claims the exemption. Thus, an individual may support his friend and become entitled to the $400 exemption.

And, finally, a point to keep in mind is that the $400 applies for each dependent. If a son supports a dependent mother and father, he is entitled to $800. If there are five dependents, he is entitled to $2,000, and so on.

Husband and Wife

The way the exemption for dependents works out in the case of the returns of

(*Please turn to page* 461)

HOW GREAT FOUNDATIONS HANDLE THEIR INVESTMENT FUNDS

(Continued from page 417)

In a recent statement dealing with investment policies Frederick P. Keppel, president of the Carnegie Corporation, pointed out that this fact was one of the problems peculiar to that institution. The trustees of other foundations do not have to consider the principal as a fund to be held in perpetuity. Established for specific contemporary purposes, the other foundations can deal with them as they arise from year to year and are under no obligations to keep alive a fund after the objects for which the foundations were designed may have become unnecessary or faced by greatly altered conditions.

Numerous instances exist of the gradual obsolescence of trust funds bequeathed for definite purposes. In the sixteenth century a rich Yorkshireman in England provided in his will a grammar school fund. The courses were to include Latin and Greek. Two and a half centuries later Leeds had become a great commercial center dealing with the merchants of all Europe. To make the school adaptable to modern needs, the trustees tried to introduce French and German courses. But the courts declared that, as the will had made provision for Greek and Latin only, they had no authority to change the procedure.

The Peabody Educational Fund in America is another case in point. This fund of $3,000,000—then considered an impressive sum—was created in 1867 by George Peabody to establish city and state schools and training schools for teachers in the poorer sections of the South. At that period, when the South was impoverished after the Civil War and when many of its sections held backward views regarding education, this was a timely and worthy project. As the South recovered and developed, however, it founded and supported its own public educational institutions. The activities of the Peabody Educational Fund, held by the terms of the donation to one specific object, became out of date and superfluous. Accordingly, in 1914, the trustees dissolved the fund.

Change of Policy

Vicissitudes of time may similarly affect many or all of the functions now performed by some of the foundations. Their self-appointed mission may become a publicly administered duty or it may be rendered altogether needless by future social changes. Either in immediate anticipation of this contingency or confronted with it, most of the foundations can disburse principal and discontinue operations.

New York is one of the states affording a way of obtaining court sanc-

tion for a change of policy. Since the enactment of the "Tilden Act" of 1893, the Supreme Court in New York State has been empowered with enlarged jurisdiction in cases where conditions have become so altered as to prevent a literal compliance with the endowment terms. But the courts take action only upon application of the trustee or custodian of the property, or sometimes of the Attorney-General. The proceedings involve delay and expense, are usually contested, and, as a rule, remedy is allowed in cases of extreme emergency only.

The strongest feature of the community trust is in its complete relief from restrictions imposed by a "dead hand." Donors can signify whether they desire either principal or income or both to be expended. These gifts, however, are subject to the terms of the community trust's regulations. The powers of these are so flexible that funds can be freely adjusted to meet changing conditions without any need of seeking court permission. The Carnegie Corporation is a foundation almost in a class by itself. So long as its character remains unaltered it must continue by sheer weight of its accumulation of principal.

Responsibility of Trustees

The greater part of this principal is also so invested that its retirement and replacement invite grave problems. As head of the Carnegie Corporation Mr. Keppel has pointed out that trustees of all foundations have their responsibility for security of capital, wise investment and judicious expenditure of income. But he stresses the fact that Carnegie Corporation trustees have a particularly delicate task. Almost three-fourths of the Carnegie Corporation's $124,000,000 fund are in a single security—U. S. Steel Corporation first Mortgage Bonds. This same security forms a substantial part of other Carnegie foundations. The preponderant share of these bonds mature in 1951. Restrained from expending principal the trustees must replace these bonds with an equal investment. What will it be? Although the event is more than twenty years distant, the trustees are already giving the matter serious consideration as a fairly imminent problem.

If the administration of the large amount of various foundation securities should ever fall into the hands of inefficient or unscrupulous men, a demoralizing effect upon market conditions might ensue. In such circumstances controlling influences in foundations might use power for their own invidious ends, precipitately selling and craftily manipulating. Thus far this situation has not arisen, nor does there seem any immediate danger. The Rockefeller foundations, although managed by committees, are still under the scrutiny of their astute creators. Likewise, other foundations are directed by able and well-intentioned men. Their operations have been so few and inconsequential that the result upon the market has been imperceptible. On the

other hand, continuous holding by foundations of large blocks of particular bonds and stocks has had a distinctly steadying effect upon market conditions.

Nevertheless, there is an aspect of possible peril which in no sense is due to lack of honest motive. Because of the limited number of trustees, men of high character, yet of no financial training, may become members of such boards and possibily sway their policies. The president of the Carnegie Corporation has dwelt upon this phase. By reason of its type of organization, the Carnegie Corporation board is restricted to a small number of trustees, of which a considerable proportion serve *ex-officio*. "As a result," says the president's report, "fewer of its own members are likely to be technically expert in matters of finance than would be the case in a larger board with unrestricted membership." The Finance Committee of the Carnegie Corporation has met this problem by enlisting the services of financial advisers.

From their inception the Rockefeller group of foundations have maintained Standard Oil Company and its auxiliary corporation stocks as the prime bulk of their investments.

Nearly $93,000,000 of the Rockefeller Foundation funds and more than $60,000,000 of those of the General Education Board are oil stocks. Sales and purchases by the Rockefeller Foundation in recent years have been exceedingly slight. In one year the Rockefeller Foundation doubled its U. S. Government securities and sold 78,624 shares of Standard Oil Company of Kansas. These shares, carried at $17.18 a share or $1,351,433, were offered publicly at $40, or $3,144,960. In the same year it also sold 18,000 shares of Standard Oil Company of Indiana at $43.35 a share, and it sold a few hundred other shares. In 1925 its sales were less than 15,000 shares of a few stocks; its purchases $1,500,000 of Atlantic Refining Company's notes. In 1926 its holdings were reduced by retirement of $5,658,000 preferred stock of Standard Oil Company of New Jersey, and its holdings were increased by acquiring $10,000,000 of Standard Oil Company of New Jersey 20-year 5 per cent debentures; $2,000,000 par value of Interstate Natural Gas Company bonds; $1,100,000 of Southern Pacific Company, and $390,000 of Pennsylvania Railroad equipment trust certificates. Because of a stock dividend its Union Tank Car Company holdings were increased from 40,000 to 60,000 shares.

The Carnegie Corporation in 1926 redeemed or sold $1,172,000 worth of bonds, and purchased or transferred bonds for which it received $2,306,000. From income it bought bonds of a market value of $887,000. The securities purchased covered a variety of railroad, public utility, industrial and foreign government bonds.

Manifestly, these small transactions have no effect upon a market which annually undergoes a stupendous turnover in the purchase and sale of stocks

and bonds. The high bond prices now prevailing are due partly, if not largely, to foundation and other funds which buy in order to hold. As institutions which are not rivals of business the foundations act as conserving factors in the market.

A list is given herewith of the bonds and stocks owned by three of the largest foundations—the Rockefeller Foundation, the General Education Board and the Carnegie Corporation. In the case of the General Education Board the $97,000,000 of securities listed were subject to considerable appropriations of principal voted but not paid at the time the list was prepared. So far as is known this list has never been presented before in any magazine or newspaper.

THE FUNCTION OF TAPE READING IN MODERN MARKETS

(*Continued from page* 421)

He does not depend on guess work but on business, economic and financial information. He has learned to become an acute analyst, taking nothing for granted except the possibility of error. He has learned to distinguish between fact and fancy. He applies as his test a rational basis of rigid investigation, much more highly developed than anything known in the past.

The most important and most successful of all market operators today is a man who is probably one of the greatest students of security values in the country. In one case, after a very careful investigation into its properties, he manipulated the shares of a certain company until he had an important voting control and then, instead of dumping his shares on the market, proceeded to interest a group of financiers and sold them his stock at a very substantial profit. This is cited simply to indicate the type of change which is taking place in market manipulation.

In another case, an economist is reported as having accumulated a very large fortune through hard study of the condition of several companies to whose future he was originally attracted through coming into possession of some important information regarding their operations.

Neither one of these two men, who have made large fortunes in the market, has depended on the tape to tell him what to do nor could "read the tape" in the old sense.

As stated above, tape-reading under present conditions, has fortified its claim to serious consideration as a method of ascertaining future security values. It has a function in clearly depicting present conditions and this is of no inconsiderable importance in a market so large as the present which by its very size almost defies analysis. Its function ends at that point, however, and any claims to the contrary should be scrutinized with care.

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 12/21/27	Div'd $ Per Share
Atchison	125⅜	90¼	111¼	70	172	91¾	210	161¾	194¾	7
Do. Pfd.	106¾	96	102⅛	75	102	72	106¾	99⅜	105¾	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	205¾	174⅞	189½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	109¾	27⅝	125	106½	117¾	6
Do. Pfd.	96	77¼	80	48¼	73⅞	38½	83	73¼	81½	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	70⅞	53	57¼	4
Do. Pfd.	..	..	..	..	89¾	31⅜	88	78⅛	†84	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	219	165	213¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	178⅝	46	218½	151¾	206⅞	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	19⅜	9	17⅝	..
Do. Pfd.	181	130½	143	62½	76	7	34¾	18⅝	33¼	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	97½	78⅜	87	4
Chicago, R. I. & Pacific	..	..	45¾	16	71¼	19⅛	116	68⅛	108	5
Do. 7% Pfd.	..	..	94¾	44	108	64	111¾	102¾	†109	7
Do. 6% Pfd.	..	..	80	35¾	98	54	104	95¼	102½	6
Delaware & Hudson	200	147½	159½	87	183½	83¼	230	171⅛	184¼	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	140⅞	130⅛	136	‡6
Erie	61¼	33½	59½	18¾	42	7	69¾	39½	63	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	55¼	11⅛	66¼	52⅜	62¾	..
Do. 2nd Pfd.	89⅛	19⅛	45⅝	13⅛	50¼	7⅛	64⅛	49	61½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	103⅞	79⅝	99¾	5
Hudson & Manhattan	..	..	..	..	41½	20⅝	65⅞	40½	50⅛	2½
Illinois Central	162⅛	102¾	115	85¾	131	80⅞	139⅜	121⅛	134	7
Interboro Rap. Transit	..	..	..	..	53¾	9⅛	62⅛	30⅛	32½	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51⅜	13	70½	41¼	61¾	..
Do. Pfd.	75⅛	56	65½	40	68¾	40	73	64⅞	73	4
Lehigh Valley	121¼	62½	87⅛	50⅜	106	39½	137⅛	88½	95¾	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	159⅛	128⅜	154	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	47⅛	*¾	56½	31½	42	..
Do. Pfd.	*78¼	*46	*60	*6½	96¼	*2	109½	95¾	108⅝	6
Missouri Pacific	*77½	*21½	38⅛	19⅞	45	8¼	62	37⅞	51⅝	..
Do. Pfd	..	..	64⅞	37½	95	22¼	118⅝	90⅛	113½	..
N. Y. Central	147¾	90⅜	114¼	62½	147½	64⅛	171½	137¼	164⅞	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	135¾	110	126⅛	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	48⅜	9⅝	61⅝	41⅝	61	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	41¾	23¼	34	1
Norfolk & Western	119¼	84¼	147⅛	92⅝	170⅞	84¼	202	156	192¾	‡8
Northern Pacific	150½	101¾	118⅞	75	99⅞	47⅞	102⅛	78	98¾	5
Pennsylvania	75⅝	53	61½	40¼	57⅛	32¼	68	56⅜	64⅞	3½
Pere Marquette	*33½	*15	38⅛	9½	122	12⅛	140⅜	114½	126	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	135¼	21⅛	174	122	142	6
Reading	89⅝	59	115½	60⅛	108	51⅞	123¾	94	104⅜	‡4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	43⅛	40⅛	43	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	50	43⅜	†44	2
St. Louis-San Fran.	*74	*13	50½	21	108½	10¾	117¼	100¾	110	‡7
St. Louis Southwestern	40⅜	18½	32⅛	11	74	10⅞	93	61	78⅝	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	41¼	28⅛	30⅝	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	45⅜	32½	40¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	126⅞	106¼	123⅝	6
Southern Railway	34	18	36¾	12½	131¼	24¾	149	119	146⅜	8
Do. Pfd.	86⅞	43	85¼	42	95⅛	42	101⅛	94	100½	5
Texas & Pacific	40½	10¼	29½	6⅛	70½	14	103⅞	53⅞	101	..
Union Pacific	219	137¾	164⅜	101¼	168⅜	110	197¾	159½	194¼	10
Do. Pfd.	118½	79¾	86	69	81¼	61¼	85½	77	85	4
Wabash	*27⅞	*2	17⅛	7	52	6	81	40½	66	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	78¾	17	101	76	†92½	5
Do. Pfd. B	..	..	32⅞	18	72	12¼	98	65	†90	5
Western Maryland	*56	*40	23	9¼	18⅜	8	67⅞	13⅜	50⅜	..
Do. 2nd Pfd.	*88¼	*53⅛	*58	20	*30	11	67½	23	50¾	..
Western Pacific	..	..	25⅛	11	40	12	47½	25⅛	36½	..
Do. Pfd.	..	..	64	35	86⅛	51⅛	76⅜	55	61¾	..
Wheeling & Lake Erie	*12⅞	*2⅛	27⅜	8	32	6	130	27½	†70	..
Do. Pfd.	..	..	50⅝	16⅝	53⅛	9¼	87	47½	†77	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 12/21/27	Div'd $ Per Share
Adams Express	270	90	154½	42	136	22	210	124	183¾	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	13	7⅛	12	..
Allied Chem. & Dye	..	..	..	..	148⅞	34	169¼	131	153	6
Do. Pfd.	..	..	..	..	122¾	83	124	120	122½	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26⅛	118⅜	88	113½	6
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	18⅜	8⅛	17½	..
Do. Pfd.	105	90	103½	89⅛	103	18	66	28¼	63⅞	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24⅛	25⅝	15⅛	18	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	26¾	13	21¼	..
Am. Can	47⅜	6⅞	63½	19¼	*344½	*21¾	77⅝	43⅝	76⅛	2
Do. Pfd.	129¼	98	114⅛	80	130⅛	72	138⅛	126	†134¼	7
Am. Car & Foundry	76½	36½	98	40	*201	97⅛	109¼	95	103	6
Do. Pfd.	124¾	107½	119½	100	130¼	105¾	134¾	124¾	128	7
Am. Express	300	94¾	140½	77½	175	76⅛	183	127	167	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	12⅞	7⅝	12⅛	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	66¾	48	†58½	..
Am. Ice	..	..	49	8⅞	139	37	32⅜	25¾	31	2
Am. International	..	..	62¾	12	132¼	17	60⅞	37	59	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	92½	46⅜	84⅞	..
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	116	99¼	108	8
Do. Pfd.	122	75	109	93	124¼	96½	127	119½	125	7
Am. Metal	..	..	..	..	67⅜	38¾	48	36⅛	46¼	3
Am. Radiator	*500	*200	*445	*235	*345	64	147⅞	110⅛	134	5
Am. Safety Razor	..	..	..	..	76¾	*8⅛	64⅞	42	56¾	3

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1926		1927		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	12/21/27	Share
Am. Ship & Commerce	..	..	..	..	47½	4¾	6⅝	2½	3	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	152	29¼	184¼	132⅝	184¼	8
Do. Pfd.	74½	24⅛	95	44	50	18	132⅛	119¼	129⅞	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	63¼	72¾	41½	63½	3
Do. Pfd.	..	..	..	..	115	78	115	110¼	†112	7
Am. Sugar Refining	136⅜	99⅞	126⅛	89⅛	143⅜	36	95¾	65¼	75½	5
Do. Pfd.	133½	110	123½	106	119	67½	116⅛	104	107	7
Am. Tel. & Tel.	153⅜	101	134½	90⅝	151	92⅛	185½	149¼	179⅛	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	189	120	172½	8
Do. Com. B	..	..	..	..	*210	81¼	186	119¼	172½	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	72⅛	46	60	‡.80
Am. Woolen	40⅝	15	60⅞	12	169½	19	33⅝	16½	20¾	..
Do. Pfd.	107¾	74	102	72½	111⅞	66	86⅛	46⅞	49¼	..
Anaconda Copper	54⅝	27⅛	105⅜	24¼	77⅞	28½	59	41¼	59	3
Associated Dry Goods	..	..	28	10	*140½	46½	53⅝	39½	49⅝	2½
Do. 1st Pfd.	..	..	75	50½	102½	49⅞	111	97½	†111	6
Do. 2nd Pfd.	..	..	49½	35	110	38	114	105	†112	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	43⅛	30⅝	39½	..
Do. Pfd.	32	10	74¾	9⅞	76⅛	6¾	41⅝	29¾	†38½	..
Atlantic Refining	..	..	..	..	*1575	78½	131⅜	104	108⅞	4
Austin Nichols	..	..	..	..	40⅜	7⅛	10¼	4¼	4½	..
Do. Pfd.	..	..	..	..	95	50⅝	61	24	24½	..
Baldwin Locomotive	60¾	36½	154½	26⅝	167¾	62¼	265¾	143⅛	253	7
Do. Pfd.	107½	100¼	114	90	119¼	92	125¼	116	121½	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	66½	43¾	56¾	..
Do. 7% Pfd.	80	47	186	68	108	78	118½	104¾	117¾	7
Brooklyn Edison Electric	134	123	131	87	163	82	203½	148½	196	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	154½	89⅝	145	5
Burns Brothers	45	41	161½	50	147	76	125¾	85½	103	8
Do. B	..	..	..	..	53	17	28⅛	16¼	†17	..
Butte & Superior	..	..	105¼	12¼	37⅞	6½	11¾	7⅜	10½	2
California Packing	..	..	50	30	*179½	48¼	75¾	60¼	75	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	33⅞	20	24⅛	1
Central Leather	51¾	16½	123	25⅞	116½	9⅝	24⅞	8⅜	†23	..
Do. Pfd.	111	80	117½	94⅞	114	28⅛	90	54	†100	..
Cerro de Pasco Copper	..	..	55	25	73½	23	68¾	58	67	4
Chile Copper	..	..	39¼	11¼	38⅜	7	41⅛	33⅛	40¾	2½
Chrysler Corp.	..	..	..	..	*253	*108¼	63⅝	38⅛	61⅞	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	116	102⅝	114½	8
Coca Cola	..	..	..	..	177¾	18	131	96½	129	5
Colorado Fuel & Iron	53	22½	66½	20½	56	20	96⅝	42⅝	84¾	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	98¾	82⅞	91⅞	5
Congoleum-Nairn	..	..	..	..	*184⅜	12½	29¾	17¼	28	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	86¾	74¼	82½	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	121¾	94	117½	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	86⅝	58¾	86	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	68	46⅞	65¼	‡2
Do. Pfd.	98½	61	113½	58⅛	130¼	96	139⅜	128	137½	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	96¾	76½	87¼	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	10¾	4⅞	7½	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	50¾	28⅜	31	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	28½	18⅞	21½	1
Cuyamel Fruit	..	..	..	..	74½	32	55⅛	30	†48½	..
Davison Chemical	..	..	..	..	81¼	20⅜	43⅛	26¼	40½	..
Dupont de Nemours	..	..	..	..	*360	105	343⅞	168	323½	‡10
Eastman Kodak	*No Sales		*605	*605	*690	70	175¼	126¼	166¼	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	81	63¼	76¼	‡5
Endicott-Johnson	..	..	..	..	150	44	81¼	64¾	76⅞	5
Do. Pfd.	..	..	..	..	120	84	125	116⅜	†121½	7
Fisk Rubber	..	..	..	..	55	5½	20	14¾	16½	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	100	81	91⅜	7
Fleischmann Co.	..	..	..	..	*171½	*75	69¾	46⅛	67⅛	‡3
Foundation Co.	..	..	..	..	183¾	58½	88⅝	35	40¾	..
Freeport-Texas	..	..	70½	25¾	64⅜	7½	106½	34	103¼	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	96¾	65	81½	..
General Cigar	..	..	..	..	*115¼	46	74⅞	52	72¾	4
General Electric	188½	129¾	187¼	118	*386½	109½	146⅝	81	134	‡4
General Motors	*51¾	*25	*850	*74½	225¾	*8⅛	141	113¼	135¼	‡5
Do. 7% Pfd.	..	..	..	..	122¼	95⅛	125⅝	118½	125	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	96½	42¾	93⅞	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	111½	95	111½	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	65⅝	48⅜	63	..
Do. Prior Pfd.	..	..	..	..	109⅞	38	97¾	92½	96	7
Granby Consolidated	78¼	26	120	58	80	12	45	31⅛	42⅞	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22⅛	52¾	18	28¾	18	24	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	64	40	52	..
Houston Oil	25½	8	86	10	116⅛	40½	175¾	60⅛	161⅛	..
Hudson Motor Car	..	..	..	..	139½	19½	91⅛	48¼	81¼	5
Hupp Motor Car	..	..	11	2½	31	4⅝	36¼	16	35	1.40
Inland Steel	..	..	..	..	50	31⅛	57½	41	55	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	25½	12½	21⅞	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	110⅝	53⅛	109	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64	40⅛	55	2
Inter. Harvester	..	..	121	104	158⅛	66¾	250¾	135⅜	248	‡6
Inter. Mercl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	8¾	3½	4	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	55⅝	32½	41⅞	..
Inter. Nickel	*227¼	*135	57½	24½	48⅛	24¼	79½	38¼	79¼	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	81½	39⅛	73½	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	32¼	9½	28	..
Do. 8% Pfd.	..	..	101	72	110	33	102	35	85	..
Kennecott Copper	..	..	64¼	25	64¼	14⅝	84¼	60	84⅛	5
Kinney (G. R.) Co.	..	..	..	..	103	35½	45	19¾	†31	..
Lima Locomotive	..	..	..	..	74⅞	52	76⅝	49	†56	4
Loew's Inc.	..	..	..	..	48⅜	10	63⅞	46⅞	57⅜	‡2
Loft, Inc.	..	..	..	..	28	5½	7⅝	5	†5⅞	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	27¾	45¼	23½	38¾	..
Mack Trucks	..	..	..	..	242	25½	118¾	88¼	107¼	6
Magma Copper	..	..	..	..	46	26⅛	53	29½	52⅝	3
Mallinson & Co.	..	..	..	..	45	8	20¾	11½	17¼	..

(Please turn to next page)

New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1926		1927		Last Sale	Div'd
	High	Low	High	Low	High	Low	High	Low	12/21/27	$ Per Share
Maracaibo Oil Explor	..	..	..	..	37½	16	22⅜	12	16	..
Marland Oil	..	..	..	..	63⅜	12⅛	58½	31	35½	..
May Department Stores	*83	*65	*97½	*35	*174¾	*60	90⅝	66¾	86	4
Mexican Seaboard Oil	..	..	..	..	34½	5¾	9¼	3	4½	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	8	20⅜	13⅛	20	1½
Montgomery Ward	..	..	..	..	82½	12	119½	60⅜	118¾	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	187	94¾	174	‡6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	68⅞	59¼	61¾	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	35⅜	19⅛	28	..
National Lead	91	42½	74⅝	44	181	63½	135	95	129	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50	39¼	42½	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	65⅜	34	61½	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	64⅛	45⅝	60	§10%
Do. Pfd.	..	..	..	..	52¼	31⅞	55	50	53½	3
Packard Motor Car	..	..	..	..	48½	9⅞	59⅜	33¾	58¾	‡3
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	65⅞	40¼	41	..
Do. Class B.	..	..	..	..	111¾	34⅛	66⅜	40¼	41¼	..
Paramount-Fam. Players-Lasky	..	..	..	..	127½	40	114¾	92	111¼	‡8
Do. Pfd.	..	..	..	..	124½	66	124⅜	114⅞	†121⅛	8
Philadelphia Co.	59	37	48⅞	21½	91	26½	153½	85¼	153½	‡4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	47⅝	37⅜	40	..
Phillips Petroleum	..	..	..	..	69⅝	16	60¼	36¼	41½	3
Pierce-Arrow	..	..	65	25	99	6⅛	23⅝	9⅛	15	..
Do. Pfd.	..	..	109	88	127¼	13½	102½	37¾	51¾	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	39	74½	32¾	51½	..
Postum Cereal	..	..	..	..	*134	*47	126	92⅝	122⅜	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	78	26½	†70	..
Do. Pfd.	112	88½	109⅛	69	106	67	92½	76½	†87⅜	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	46¼	32	42½	2
Pullman Company	200	149	177	106½	199½	87¼	84¾	73¾	83	4
Punta Alegre Sugar	..	..	51	29	120	24¾	46⅞	27	30⅝	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	33½	25	26⅛	‡1½
Radio Corp. of America	..	..	..	..	77⅞	25⅞	101	41⅛	93½	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	75⅞	53	59¾	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	106	96⅝	†102½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	54½	44⅛	47⅝	3.13
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	72½	43½	64	4
Schulte Retail Stores	..	..	..	..	*134⅞	*88	57	47	52	3¼
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	*54¼	91½	51	89¼	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	47⅞	41⅝	†42⅝	2.41
Shell Union Oil	..	..	..	..	31	12⅛	31¾	24⅝	25⅞	1.40
Simmons Company	..	..	..	..	54⅝	22	63	33½	59	2
Simms Petroleum	..	..	..	..	28½	6½	26⅜	14¼	26⅛	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	22⅜	15	20⅜	..
Skelly Oil	..	..	..	..	37⅛	8⅝	37⅜	24⅛	27⅜	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	148½	32⅛	134¼	110¼	†117	6
Standard Oil of Calif.	..	..	..	..	*135	47½	60¾	50⅜	56	‡2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	41⅜	35⅛	39⅞	‡1
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	87½	54¼	81⅛	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	54½	26⅛	†43	2
Studebaker Company	49½	15¾	195	20	*151	30½	63½	49	60¾	5
Do. Pfd.	98⅛	64½	119½	70	125	76	125½	118	†122⅝	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	13¼	8⅛	10⅝	½
Texas Company	144	74½	243	112	58	29	58	45	53	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	81⅜	49	77½	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	18⅞	12	14¼	.60
Tide Water Oil	..	..	225	165	*195	5½	19⅛	15⅝	17⅜	..
Timken Roller Bearing	..	..	..	..	85⅜	28½	142½	78	134½	‡4
Tobacco Products	145	100	82⅜	25	116⅝	45	117⅝	92¾	114¾	7
Do. Class A	..	..	..	..	118⅜	76	119	108	117¼	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	10⅜	3¾	9¼	..
Union Oil of Calif.	..	..	..	..	58⅜	33	56½	39⅝	45	‡2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	38⅛	32⅝	33½	‡.80
United Drug	..	..	90⅞	64	175⅛	46¼	200½	159	193⅛	9
Do. 1st Pfd.	..	..	54	46	59	36⅝	60⅜	50½	†60	3½
United Fruit	208½	126½	175	105	*294	95¾	150	113½	143½	‡4
U. S. Cast Iron Pipe & F	32	9¼	31⅞	7¾	250	10½	246	190½	217⅞	10
D. Pfd.	84	40	67½	30	118	38	125	112	†120	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	111½	69	109	5
U. S. Realty & Imp	87	49¾	63¾	8	*184½	17	69⅝	54	67¼	4
U. S. Rubber	59½	27	80½	44	143¾	22½	67⅛	37¼	56	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	111⅝	85¾	102⅝	8
U. S. Smelt., Ref. & M'n	59	30⅜	81½	20	78¼	18⅜	48⅞	33⅜	47⅞	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	160⅛	111⅜	147⅞	7
Do. Pfd.	131	102½	123	102	130¾	104	139	129	139	7
Utah Copper	67½	38	130	48½	116	41⅛	147	111	147	6
Vanadium Corp.	..	..	..	..	97	19⅛	67⅛	37	64⅞	‡3
Western Union	86¼	56	105⅛	53⅜	157⅞	76	173	144⅛	171¾	8
Westinghouse Air Brake	141	132½	143	95	146	76	50⅛	40	46½	2
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	94¾	67⅝	90⅝	4
White Eagle Oil	..	..	..	..	34	20	27⅛	20½	20½	2
White Motors	..	..	60	30	104½	29¼	58⅜	30¼	37¾	2
Willys-Overland	*75	*50	*325	15	40¼	4½	24¾	13½	17⅜	..
Do. Pfd.	..	..	100	69	123⅞	23	96	87	†94½	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	17⅝	10	11½	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	198½	117¾	192	5
Worthington Pump	..	..	69	23½	117	19	46	20½	†30	..
Do. Pfd. A	..	..	100	85⅞	98½	44	61⅛	44	51	..
Do. Pfd. B	..	..	78⅜	50	81	37¼	54½	37	45	..
Youngstown Sh. & Tube	..	..	..	..	95¼	59¾	97¼	80⅛	95	5

† Bid Price. ‡ Not including extras. § In stock. * Old Stock.

Securities and Commodities, Analyzed, Rated and Mentioned in This Issue

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low	Recent Indexes Dec. 10	Recent Indexes Dec. 17	1926 Indexes (238 Issues) Close	1926 Indexes (238 Issues) High	1926 Indexes (238 Issues) Low
264	COMBINED AVERAGE	115.5	95.7	113.6	115.5H	95.7	102.0	83.1
38	Railroads	140.2	98.5	131.8	132.5	98.5	102.2	84.3
4	Agricultural Equipment	103.3	63.4	100.5	103.3h	69.8	111.9	61.8
2	Alcohol	170.5	82.1	167.1	170.5H	83.6	103.2	56.6
12	Automobile Accessories	96.3	79.3	96.3h	95.1	81.0	104.4	78.0
16	Automobiles	85.6	70.1	83.7	85.6h	76.4	104.0	66.7
3	Baking	93.1	63.0	92.0	90.0	82.0	108.6	69.2
3	Business Equipment	160.2	108.5	141.5	145.8	108.5	109.3	82.2
5	Chemicals and Dyes..........	138.5	107.3	134.7	138.5H	107.3	115.5	92.0
9	Construction and Bldg. Mat'l	96.4	77.9	93.1	96.4h	84.4	101.4	71.0
3	Containers	122.0	93.5	120.9	122.0H	100.1	110.8	85.7
10	Copper	172.5	105.9	163.4	172.5H	118.7	122.8	91.6
2	Dairy Products	80.0	59.8	65.8	68.2	80.0	(Begun 1927)	
4	Department Stores	100.1	70.4	92.3	92.5	73.7	101.0	67.6
4	Drugs and Toilet Articles....	171.2	147.3	161.5	160.3	152.5	159.1	100.0
7	Electric Apparatus	112.2	87.4	99.0	99.3	96.1	105.2	86.8
8	Foods and Beverages.........	34.4	72.0	83.3	83.2	76.9	101.2	72.3
3	Furniture	122.7	89.1	121.8	122.7H	91.6	121.0	80.7
2	Leather	152.3	69.8	140.9	143.7	69.8	102.4	68.0
2	Mail Order	149.9	82.8	144.5	149.9H	88.0	101.6	75.0
5	Marine	113.4	69.5	71.3	76.1	79.6	110.8	73.0
2	Meat Packing	74.8	55.1	70.2	71.5	74.4	102.6	69.6
5	Metals	105.0	81.9	102.6	105.0h	81.9	105.7	78.1
7	Miscellaneous	132.6	96.7	131.8	132.6h	100.0	(No record)	
3	Paper and Publishing	208.1	150.4	205.6	206.0	150.4	187.8	75.5
35	Petroleum	103.5	86.9	92.9	95.6	95.3	102.3	85.2
11	Public Utilities	132.5	93.1	123.5	127.9	96.3	102.0	82.4
1	Radio	220.4	97.2	197.5	214.5	123.6	139.5	78.8
8	Railroad Equipment	128.4	100.3	123.7	124.6	101.4	103.3	84.8
1	Real Estate	113.5	88.5	113.5H	110.6	94.4	102.8	74.3
5	Recreation	120.3	96.3	103.4	100.7	115.2	118.2	98.6
6	Rubber.	97.8	64.4	96.5	97.8h	64.4	114.3	59.8
13	Steel	97.3	81.1	92.4	96.6	83.9	100.6	78.8
4	Sugar	112.7	76.9	79.6	83.7	112.0	116.1	92.5
2	Sulphur	381.3	166.1	374.7	381.3H	166.1	170.0	100.0
2	Telephone	127.1	104.6	124.7	125.7	104.6	105.6	97.3
3	Textiles	107.5	71.9	85.8	80.5	92.5	104.6	57.7
9	Tobacco	169.6	144.8	167.0	169.6H	147.5	148.3	94.5
5	Traction	142.4	119.4	121.2	119.4l	127.5	136.9	94.0

H—New HIGH Record since 1925.
h—New HIGH record this year. l—New LOW record this year.

(An unweighted Index of weekly closing prices, specially designed for investors. The 1927 Index includes 264 issues, distributed among 36 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

INCOME TAX DEPARTMENT

(*Continued from page* 446)

husband and wife is rather interesting. In the first place, neither one is regarded as dependent upon the other. Therefore, the husband cannot take the $400 allowance for supporting his wife, or vice versa. The $3,500 exemption is supposed to cover that part. However, they can take the exemption for other persons that are their dependents.

When we spoke about the $3,500 allowance, we said that that could be divided between them as they deem best. In the case of the exemption for dependents, however, the division cannot be made, but can be deducted only in the return of the one who is the real supporter. Thus, if it is the husband who supports the children, and he files a separate return and his wife files a separate return, only he is entitled to the exemption. Of course, if a joint return is filed, this point makes no difference.

Head of Family

In the case of the head of a family, where the individuals being supported are dependents as previously defined, the head of the family is not only entitled to the $3,500 allowance, but also to the exemption for dependents. For example, if a son lives with his parents and his parents are incapable of self-support, his exemption is $3,500 for being head of the family, and $800 for two dependents.

Last Day of Year Controlling

Suppose there is a change in the situation during the year, whereby a person who was a dependent at one time no longer is one at another, or vice versa. That situation arises very frequently. A child who becomes eighteen during the year, for instance, will furnish an example, or a child may be born in December. A parent may become incapacitated during the year. When we spoke about the exemptions for the single man and the married man, we noticed that if a change took place during the year, the exemption was computed on a pro-rata basis. That is not the case, however, with the exemption for dependents. The rule there is that it is the situation on the last day of the year that controls. Thus, if a child becomes eighteen on December 30, no exemption at all is allowed. On the other hand, if a child is born on that date, the full exemption is permissible.

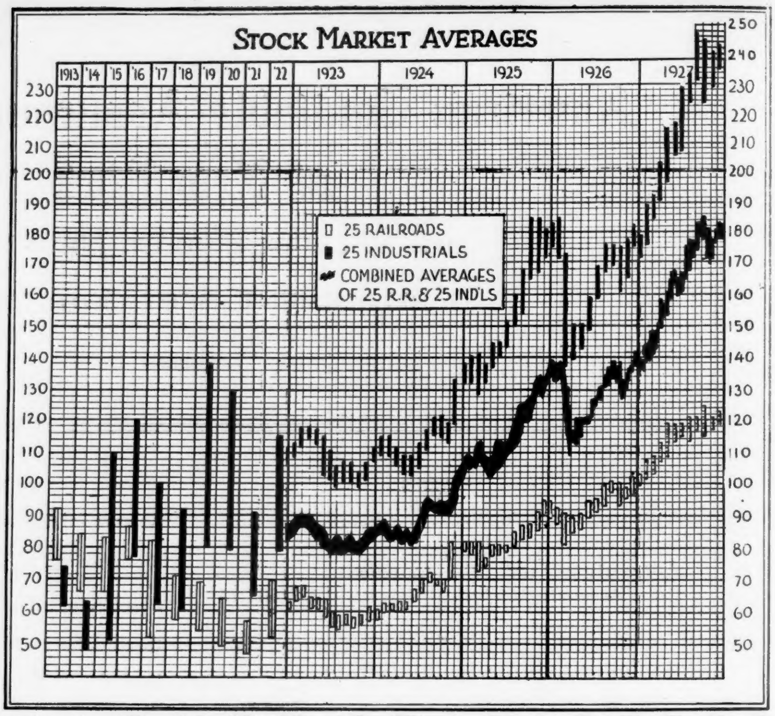
In other words, the general principles as to the allowance of an exemption for dependents can be condensed into the statement that $400 may be taken for each dependent, and that it is the situation at the end of the year that determines whether or not a person is a dependent.

Thus far in the series we have covered who must file a return and what exemptions persons are allowed. We said that if the income is greater than the exemption, then a tax is due. We are now ready, therefore, to go into the subject of the tax rates and the method of computing the tax to find out how much is due. The next few articles will be devoted to a presentation of that subject.

Annual Forecast Number

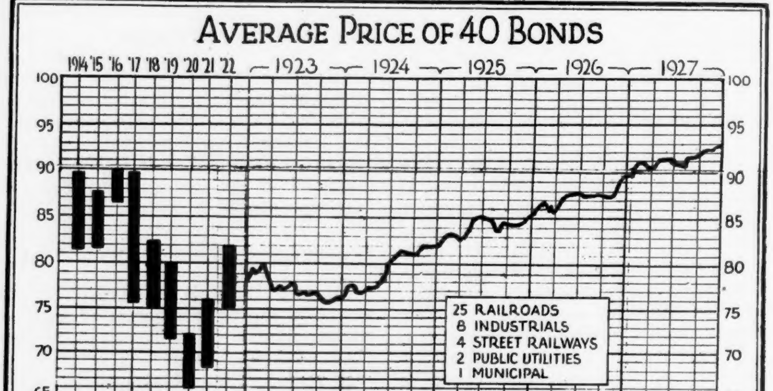
The next issue is our Annual Forecast Number. For details see

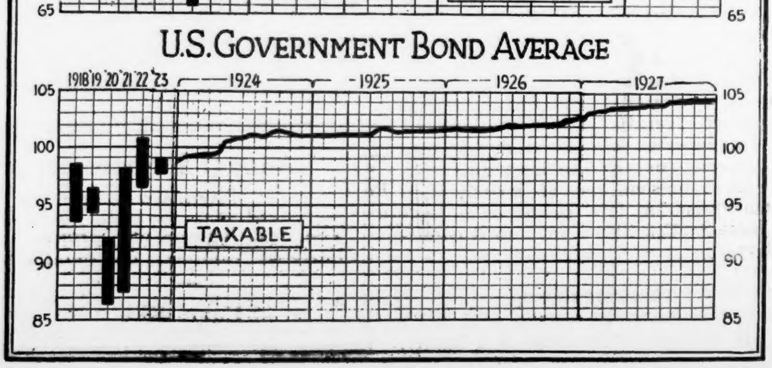
Page 405



MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, December 8	92.69	193.58	140.05	179.25	176.89	2,473,730
Friday, December 9	92.74	196.19	141.40	180.20	177.21	2,484,140
Saturday, December 10	92.83	196.38	140.72	180.87	179.13	1,503,290
Monday, December 12	92.82	197.35	140.51	181.02	179.07	2,582,540
Tuesday, December 13	92.82	198.05	141.38	181.34	179.65	2,899,440
Wednesday, December 14	92.75	196.74	140.56	181.50	179.36	2,650,460
Thursday, December 15	92.74	197.09	140.90	180.58	179.26	2,652,410
Friday, December 16	92.72	198.93	141.46	182.41	180.32	3,111,180
Saturday, December 17	92.77	199.95	141.16	182.23	181.07	1,633,680
Monday, December 19	92.80	200.93	140.40	182.24	180.47	2,893,120
Tuesday, December 20	92.74	200.93	141.03	182.28	180.58	2,933,672
Wednesday, December 21	92.77	200.63	141.04	182.34	180.34	2,923,630





WHAT THE INVESTOR SHOULD LOOK FOR IN APPRAISING NEW LISTINGS ON THE STOCK EXCHANGE

(Continued from page 430)

of an erstwhile closely held business, the investor should here also endeavor to discover whether past and prospective earning power are being capitalized on a reasonable basis. Where this information cannot easily be obtained by the individual, it is advisable to call upon competent counsel for advice before venturing too hastily.

New Industries Probably the greatest difficulty in appraising the merits of new stock exchange listings is encountered in that group of issues which have come to the Big Board by virtue of the rise of industries with the extension of scientific research and invention. Here again, for substantially the same purposes that have led older and established companies to look to the mass of investors for financial support, many of these new industries have brought their securities to the exchanges. Their economic habits and peculiarities cannot be measured by known yardsticks, however. Hence, it frequently happens that, in the early stages at least, investors are apt to be carried away by imagination and wander into fields where sober reflection should caution them not to venture. Therefore, until the securities of new enterprises have experienced a fair degree of seasoning, which comes from a long period of weathering in various sorts of markets and under all kinds of business conditions, it would be better for the average investor to make haste slowly in considering them as vehicles for investment.

This is especially the case at present, for it must be remembered that the bulk of new securities have made their appearance during a period of somewhat varying, but rather general, prosperity and under conditions which have been very favorable to security market speculation. In other words, some of these stocks are unseasoned and a good deal of artificiality would seem to attach to the market prices of many as a result of these conditions. On the other hand, there are others, such as a few that have been listed in the accompanying table, which are worthy of consideration. Incidentally, it should be noted that not all the stocks in this table are entirely new listings or representative of strictly new industries. A few of the older issues have been included so that the respective groups might be complete.

The reader may find it worth his while to retain these tables for future reference in regard to his proposed investments.

New York Curb Market

IMPORTANT ISSUES

Quotations as of December 19

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Albert Pick Barth wi.†	14¾	10	12
Aluminum Co. of Amer.	145½	67⅞	124
Aluminum pfd. (6)	106⅜	101½	104¾
Amer. Cigar (8)	148¼	115	139¾
Amer. Cyanamid "B" (1.60).	43½	25	39⅝
Amer. Cyanamid pfd. (6)	98½	84	98
Amer. Gas Elec. (1)††	125	68¼	120¼
Amer. Super Power A (1.2)†	41⅞	27¼	39⅜
Borden Co. (6)	165¼	101	163
Celotex Co. (3)	85¾	62	62
Centrif. Pipe (0.60)*	18⅞	9¾	12½
Cities Service New (1.2)†	58¾	40¼	52½
Cities Service Pfd. (6)†	95⅜	87½	94⅝
Consol. Gas of Balt. (3)	71	50⅞	67¾
Consolidated Laundries (2)*	22¾	14½	15⅞
Durant Motors†	14⅞	5¾	9¼
Elect. Bond Share (1)†	82½	66½	82¼
Electric Investors†	45⅞	32⅜	45⅝
Fajardo Sugar (10)	167¼	150	162¾
Ford Motor of Canada (15)	725	393	604
General Baking A (5)*	80¾	52½	76⅛
General Baking B*	9¼	4⅝	8⅛
Glen Alden Coal (10)†	187½	159½	169¼
Gulf Oil (1.5)†	109½	86¼	113
Happiness Candy Store (50)	7	4½	7
Hecla Mining (2)	18½	12⅜	17
Hygrade Food Products	25½	23¾	25¼
International Utilities B	11⅝	3	9½
Johns-Manville, new (3)	126½	55½	124¼
Land Co. of Florida†	36	18	27
Lion Oil Refining (2.25)*	27½	20⅛	23
Lone Star Gas (2)	59⅜	37¼	54½
Metro Chain Store††	58½	30	55

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Mountain Producers (2.60)†	27	22¾	26⅞
National Fuel Gas (1)	31¾	23	27
New Mex. & Arizona Land†	16	9¼	10¼
New Jersey Zinc (12)	194¾	178	185
Nipissing Mining (30c)*	10¾	5⅛	5⅝
Northern Ohio Power†	18⅜	9⅞	17
Pacific Steel Boiler (1)*	14¾	9½	12½
Puget Sound P. & L.†	38¾	28	38⅛
Reo Motor (80c)†	27⅜	19½	25
Salt Creek Producers (2½)†	33¼	27¼	33
So'east Pwr. & Lt. (new 1)†	46	29⅜	44
So'east Pwr. & Lt. Pfd. (4)	86⅜	67⅛	86
Stutz Motors*	21⅜	12⅛	18⅞
Tobacco Products Export†	4⅜	3	3⅞
Trans Lux*	8⅜	3½	4¼
Tubize Artif. Silk† (10)	499	145	474
Tung-Sol Lamp "A" (1.80)	24¾	17¾	20¾
United Electric Coal	37	22⅝	34⅛
United Gas & Improvem't (4)	118⅞	89	112¾
U. S. Gypsum (1.60)	110¾	82½	86
STANDARD OIL STOCKS			
Continental Oil (1)	22⅝	16¼	19
Humble Oil (1.6)†	68½	54	68¼
International Pet. (.75)	39	28¼	36½
Ohio Oil (2.75)	67⅞	52	66
Prairie Oil & Gas†	55½	45⅝	50⅛
Standard Oil of Ind. (3.5)†	81½	64¾	79⅝
Vacuum Oil (5)†	149⅞	95⅛	143⅛

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Application made for full listing.

CONTINUED strength of the oil shares was the feature of the Curb market during the past fortnight, a movement that was bolstered up a good deal in the second week by a broad buying movement among the oil stocks on the Stock Exchange. The strength in Curb stocks was by no means an exclusive feature of the oil shares, however, for a number of industrial issues were notably active and strong and the utility stocks were also well bought during the period under review.

Gulf Oil of Pennsylvania, which fell off to around par on profit taking during the earlier part of the period, came back strong on a large volume of transactions and established a new high for the year. The current buying in Gulf as mentioned recently in this department is based on the belief that the long delayed stock dividend will be declared in the not distant future. In addition to the strong position occupied by the company in its industry, the availability of a 135 million dollar surplus for distribution in some form of capital readjustment lends special interest to this issue at the present time. *Mountain Producers* established a new high and *Vacuum Oil* made a number of sales at its high mark of the year. The *Standard Oil* group, in fact, moved upward with hardly an exception. This group represents principally the prominent refining and marketing units of the industry which are in a good deal stronger position under present conditions in the oil industry than the producing companies.

Among the industrial issues, *Borden Company* made a new high at around 165, gaining about ten points during the fortnight. *Fajardo Sugar* ran up 8 points, in sympathy with the strength in other sugar issues. There were some weak spots throughout the industrial list, *Aluminum Company* selling off around 10 points following the abrupt rise in this issue a few weeks ago. *Celotex* sold off fractionally lower than its previous low mark for the year, a movement that reflects the slowing up in building activity, both as far as the season is concerned and possibly a general reversal in the trend of the volume in building as recorded during the past five years. This company has profited especially from the residential building, which in volume now seems to be gradually replaced by heavy engineering projects and public construction. *American Cyanamid,* recommended here in the last issue, established a new high for the year at fractionally above 43 but later receded a few points on profit taking sales.

ANSWERS TO INQUIRIES

(*Continued from page 444*)

1000% and results in the current year indicate a continuation of the same forward stride. Sales for the eleven months to November 30 were 17% in excess of the volume registered in the same period of 1926. Net earnings applicable to the combined class A and class B shares were equal to $4.15 per share in 1926 and in the first half of the current year amounted to the equivalent of $1.77 as compared with $1.46 in 1926. The largest volume of business is transacted in the last half of the year and it seems reasonable to anticipate earnings in excess of $5 per share, although financing earlier this year in the form of debentures and preferred stock will in all probability result in moderately lower net earnings than would have otherwise been shown. The employment of new funds in expanding the scope of the company's operations should eventually find material reflection in the earning-power equity of the junior shares, and while not attractive for income the shares appear to have distinct merit for gradual enhancement in market value and, in our opinion, also hold forth promise to shareholders of extra dividends in cash and additional stock from time to time.

LOEW'S, INC.

On your recommendation I bought 30 shares of Loew's Incorporated about 18 months ago at 39. Sometime ago I could have gotten out in the middle 60's, but it afterward reacted to 54. It has shown some recovery since, but to my untrained eye the action of the stock is not satisfying. Do you think I should continue to hold? I am, of course, an investor and not a speculator and am not trying to catch market fluctuations.—D. R. T., Galveston, Texas.

Loew's is one of the stronger organizations in the motion picture and vaudeville field, being a completely integrated unit operating 115 houses in the United States and Canada, not including 8 theaters now under construction in this country. Metro-Goldwyn Pictures Corp., a wholly owned subsidiary, ranks as one of the world's leading motion picture producing companies and has built up a high reputation for the popularity and artistry of its productions. Loew's, Inc., operating 82 houses in New York City and environs, perhaps the greatest amusement center in the world, benefits considerably from favorable Sunday laws. To provide for expanding business an issue of 150,000 shares 6½% cumulative preferred stock was recently created. Earnings have shown almost consistent yearly expansion since the company's inception, results in the year ended August 31, 1927, after providing for full year's dividends on the new preferred, being equal to about $5.47 a common share; the foregoing giving, of course, no effect to the benefits from additional capital obtained through new financing. Financial condition is sound, and while directors have shown no will-

ingness to increase regular dividends over the $2 a share annual rate now prevailing, extra disbursements have been made from time to time, which may be expected to be continued, and increased when conditions seem to warrant. Market prices of the shares have kept pace with progress to date, but future growth seems sufficiently assured to justify the expectations of satisfactory returns to patient shareholders.

S. S. KRESGE

I have been advised to buy S. S. Kresge stock, which is now selling at about $78 a share, which makes the yield less than 2 per cent. I know this company has a good record for extra and stock dividends, and would like to know if you recommend the purchase of the stock now?—M. M. K., Nashville, Tenn.

S. S. Kresge Co., the second largest miscellaneous chain store system, now operating 414 stores, has a record of consistent annual expansion in both sales volume and earnings subsequent to 1917. The company is running true to form this year, profits in the first nine months being equal to $2.44 a share against $2.23 a share in the same period of 1926, and indicated sales aggregating 115 millions in the full year should result in a balance around $3.75 a share, thus covering regular dividends of $1.20 a share annually by a wide margin. At present prices the shares yield about 1.69% on funds invested. However, to provide for future expansion it is likely that directors will conserve liquid resources, and any increase in dividends will probably take the form of stock rather than cash. Present surplus would easily permit of something around a 33⅓% stock distribution. Nevertheless, while the issue has merit for the extreme long pull, prevailing levels place a large premium on future progress, and it would be conservative to defer commitments for the present.

OHIO COPPER

Early this year I bought 500 shares of Ohio Copper at very near the low point of 40c a share. In view of improving conditions in the industry, to what extent is this company likely to benefit? What is your advice as to holding?—C. H. S., Fort Wayne, Ind.

Ohio Copper Co. property consists of 120 acres of mining ground in Bingham Canyon, Utah, about 26½ miles from Salt Lake City, adjoining the property of Utah Copper Co. In 1917 and 1918-1919, the concentration and flotation plant of the company, located at Lark, operated on the higher grades of ore mined. However, low grades of ore, and poor recovery by flotation, due to the oxidized copper, together with high cost of supplies and declining copper prices forced suspension of operations in March, 1919. During the period in which the mine had been operated, large tonnages of low grade ore were developed (too low grade to be milled) running from 0.3% to 1.3% copper. Experimental work was started in 1922, and leaching operations commenced in January, 1923. Early in 1925, it became apparent that conditions existed which interfered with the leaching process. Copper production has been 11,115,329 lbs. in 1924; 6,271,556 lbs. in 1925, and 4,963,761 lbs. in 1926, at an average cost, respectively, of 5.815 cents a pound, 8.3216 cents and 8.9985 cents. Earnings in 1924 were equal to 14 cents a share, followed by 4 cents in 1925 and 1 cent in 1926. Obviously, rising prices of copper metal provides a wider margin of profit on actual production, but it is evident that reserves of recoverable copper-content ore are considerably diminished, and until something is devised to overcome difficulties met in leaching operations, the shares remain in the purely speculative category.

CHICAGO YELLOW CAB

What is the outlook for Chicago Yellow Cab? I bought 25 shares in 1925 at 47, and the stock has been considerably of a disappointment to me for with the great increase in the use of this company's cabs. I have expected that the stock would show a substantial increase in market value.—J. Y. E., Kansas City, Mo.

The Chicago Yellow Cab Co. operates a fleet of about 3,000 taxi cabs in Chicago and also controls the Hertz Drivurself Stations, Inc., an organization engaged in the renting of automobiles, having offices in various large population centers. In spite of the fact that the company is engaged in a rather hazardous business, and one which is characterized by keen competition, earnings over a period of recent years have been fairly satisfactory. In the first six months of the current year, the company reported the equivalent of $2.81 per share earned on the common stock and for the nine months to September 30, showed net earnings equal to $3.94 per share of common stock, as compared with $3.97 in the corresponding period of 1926. Dividends appear reasonably safe, and while the margin of safety as well as the financial position of the company could be improved, the shares at current levels are selling to yield nearly 10% and offer some attraction by reason of the liberal return received. However, they cannot be viewed from other than a speculative angle, and such merit as it is possible to concede them seems primarily of a long range calibre. Material enhancement in the value of the shares above prevailing quotations does not appear an imminent possibility based on visible prospects at this time.

INTERNATIONAL AGRICULTURAL

To what extent do you believe the current improvement in the agricultural situation is likely to help International Agricultural Corporation. I bought 100 shares of this stock in 1924 at $6 a share, and have held it right through to the present time. Do you think this company is likely to re-establish itself on a sound basis and resume dividends?—E. E. R., St. Louis, Mo.

The past fiscal year which witnessed keen competition and demoralized prices following in the wake of a low-priced cotton crop and unseasonable weather conditions, was a lean one for the fertilizer industry. International Agricultural Corp. after showing a profit of $1,406,000 in the 1926 period, reported a loss of $352,315. As a consequence dividends were passed on the preferred

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

	Div. Rate	1927 High	1927 Low	Last Sale Dec. 22
Anglo & London Paris Nat. Bank	$10.00	240	195	229½
Bancitaly Corporation	2.24	146	89¼	136⅛
Bank of Italy, new	5.24	249⅞	171	244¾
East Bay Water A, Pfd	6.00	99	95⅛	97⅛
Federal Brandes	...	28	9⅞	25½
Great Western Power Pfd	7.00	105⅜	98⅞	104½
Key System Prior Pfd	...	65	9⅞	9⅞
Los Angeles Gas Pfd	6.00	104⅝	98⅞	103½
Pacific Telephone & Tel. Pfd	6.00	116	102	114
Pacific Gas & Elec	2.00	48½	31¼	48½

Industrials and Miscellaneous

	Div. Rate	1927 High	1927 Low	Last Sale Dec. 22
Alaska Packers' Assn.	8.00	185	160	160
California Packing	4.00	79⅛	61	77⅜
California Petroleum	1.00	33	19	23¼
Caterpillar Tractor, new	1.40	56⅞	26⅜	56¾
Foster & Kleiser (cm)	1.00	15	12	14
Hale Brothers	2.00	36⅛	30	31
Hawaiian Coml. Sugar	3.00	53½	48	51½
Hawaiian Pineapple	1.80	56	42½	45
Home Fire & Marine	1.60	42¼	28½	42
Honolulu Cons. Oil	2.00	42¼	33¾	36½
Hunt Brothers Packing "A"	2.00	26¼	22	24
Illinois Pacific Glass "A"	2.00	48½	31½	46½
North American Oil	3.60	48	28¾	37⅛
Paraffine Common	6.00	84	53¾	83
Richfield Cons. Oil	1.00	28½	14¾	26⅝
Schlesinger A Common	1.50	23¾	20	22⅜
Shell Union Oil	1.40	31⅞	24⅜	25⅝
Southern Pacific	6.00	125	106½	124
Sperry Flour Common	...	66½	44	65¼
Spring Valley Water	6.00	110	101¼	108
Standard Oil of Calif	2.50	60¾	50⅝	55⅝
Union Oil Associates	1.99	56⅛	37¾	43⅛
Union Oil of California	2.00	56¼	39½	44½
Union Sugar Common	1.00	19	9	13
Yellow & Checker Cab "A"	.80	9½	7¾	8½
Zellerbach Corporation	2.00	44	28	43½

shares, and accumulated back dividends as of December 1 totalled 19¼%. While it is yet too early to make any prediction as to possible results for the current fiscal year, several factors contribute to place the outlook in a more promising light. The company in question transacts the major portion of its business in the Southern tobacco and cotton regions, and should, therefore, stand to benefit as a result of the enhanced buying power of Southern planters. Diversified crops and higher cotton prices during the past year should place planters in a position to increase their fertilizer commitments this year, and with a broader demand and higher prices, competition among fertilizer companies is likely to be nearer normal and less disastrous. International Agricultural is comfortably situated financially, having cash alone more than four times current liabilities, inventories were not excessive and the company had no bank loans. Thus, with outlook more constructive than otherwise, retention seems warranted pending developments, although dividends on the junior shares must await the liquidation of accumulations and resumption of dividend payments on the preferred stock.

MONTGOMERY WARD

I am again asking you for advice regarding Montgomery Ward. My shares cost me $71 about a year ago, and I am asking your opinion because you have twice cautioned me against selling other stocks that subsequently advanced. As a result, I have obtained a much larger profit than I would have had otherwise. Do you think the present price of Montgomery Ward approximates the best that can be expected of it for the next several months?—R. J. M., Louisville, Ky.

Gross sales reported by Montgomery Ward & Co. for the current year to the close of November were $1,504,150 ahead of results in the first eleven months of 1926, and it now seems quite probable the company will better 1926 sales, a fact, however, which was

not as clearly evident in the earlier months of the current year when gross business for the five months to May 31 was nearly 4% behind 1926. The management has been endeavoring to widen profit margins and it is expected that a 5½% margin shown in 1926 will be nearer the 7½% record established in 1926. Retail display stores, of which about thirty are in operation, have been an important factor in expanding sales and earnings, and additional units have been planned which should materially aid in placing the company's products before prospective customers. This is a new departure from the usual mail-order procedure and enables the company to cope with the growing tendency, particularly in agricultural sections, on the part of many people to make purchases in nearby population centers, being enabled to do so by the ever widening use of the automobile. Minus the burden of non-recurrent expenses and heavy inventory losses on automobile tires which had the effect of materially reducing earnings in 1926, the company bids fair to earn the equivalent of approximately $10 per share on the class B stock this year. Weight is therefore given to the possibility of an increase in present dividends or an extra disbursement. The company, ranking second in its field, faces a promising future, and earnings in 1928 should reflect the present agricultural prosperity, but for the present the shares appear to discount nearby prospects.

TEXAS PACIFIC COAL & OIL

I bought 100 shares of Texas Pacific Coal & Oil shortly before the stock went on a dividend basis. I paid 14½ for my stock and I have had several opportunities to take a small profit and switch into something more attractive, but the advances flatten out so quickly. I have carried the stock down to 12 and back to around its current levels, and I would like your advice as to the company's prospects.—E. J. B., Oxford, Tenn.

The Texas Pacific Coal & Oil Co., in its present form, is to be regarded as primarily an oil producing enterprise. Production of oil which had been gradually tapering off prior to 1924 has been materially increased during the past several years, and at this time average daily production is understood to be from 10,000 to 11,000 barrels of crude. Earnings, however, in the current year have suffered a decline as is also true of the majority of oil companies, in reflection of substantially lower crude prices resulting from the excessive production of oil. Operating profit reported by the company for the nine months to September 30 amounted to $1,719,650 as contrasted with $2,609,550 in the first three quarters of 1926. Net income for the period was equal to $2.20 per share of capital stock, before depreciation and depletion, whereas results in 1926 equalled $3.52 per share. The company plans to expand operations in Montana, and with the backing of a sound and liquid financial position, seems likely to cope with the existing situation without receiving a material set-back. The shares, while having speculative merit for the long pull seem unattractive at this time and

enhancement in market value above prevailing levels will, in all probability, await the correction of present unfavorable conditions in the oil industry.

OUTLOOK FOR LEADING SUGAR PRODUCERS

(*Continued from page* 435)

ing the results of a very bad start. As it is, the company merely has been able to hold its own through making small reductions in funded debt and keeping bank loans in bounds. Only once since 1921, and then in an exceptionally good sugar year, has the company's preferred stock been a serious dividend candidate. The average net applicable to the preferred stock for the past ten years has been less than $4.00 a share.

Like Punta, Cuba Cane has the advantage of comparatively young cane fields; but it lacks a conservative capital structure and a good record. Under present conditions, the earning power of the common stock is nil and the earning power of the preferred stock is negligible. The preferred is much further removed from dividends than Punta common, and the probability that the back dividend accumulation on it will be liquidated in cash is not large, even assuming an unexpectedly quick improvement in sugar trade conditions. The 7% and 8% debentures, maturing in 1930, are speculative as the high yield offered by present prices indicates; but the property equities back of them probably is adequate to provide a fair base for refunding — provided sugar market conditions at the time are as good or better than now prevailing. *All in all, the company's securities are not attractive, especially the stocks.*

SOUTH PORTO RICO SUGAR COMPANY

BEFORE taking up another Cuban company, let us turn to South Porto Rico Sugar Company, the common stock of which has been one of the sensations of the bull market. This company has a duty advantage of 1.76 cents over the Cuban producers in selling that part of its production which comes from Porto Rico in the United States, and this duty advantage is the foundation of its great prosperity. Net earnings in the fiscal period ended September 30, 1927, were $4.01 a share on the 745,735 shares of common stock of no par value which pay regular quarterly dividends at the annual rate of $2.00 a share after dividend requirements on the 50,000 shares of $8 cumulative non-callable preferred stock and all other deductions. During the past year the company has been able to arrange for the future retirement of its funded debt, pay a 10% stock dividend, increase the cash dividend rate on the common, offer additional common stock to holders in such a manner as to give them valuable subscription rights and split up its common shares four for one.

In the year ended in September, 1927, South Porto Rico, in spite of a crop reducing drought, turned out a record output of 207,000 short tons at a profit of about ¾ of one cent a pound. It is impossible to figure just what it gained from the tariff protection of 1.76 cents a pound for part of its output comes from Santo Domingo and has to pay full duty, or more than even the Cuban sugars; but it would seem a reasonable statement to say that had it not been for the tariff differential the company probably would not have earned anything at all for the common stock. If only half of last year's output came from Porto Rico, the tariff advantage last year was worth $3,500,000, or almost $5 a share on the common.

South Porto Rico expects to produce more sugar in 1928 than in 1927, and may be able to reduce costs a little. It ended the year with $6,425,000 in cash and cash equivalents against only $772,049 current liabilities and $3,581,500 in bonds. Unless some unforeseen complication arises, extra dividends probably will supplement the regular distributions throughout the coming year.

The common stock at around 36, ignoring a 10% stock dividend and valuable rights which have accrued, could have been bought in the form of old $100 par value stock as low as the equivalent of 23 in 1926 and was obtainable at 15½ in 1925. *In spite of this big appreciation, it offers a fairly generous yield (assuming extra dividends) and is selling for only about nine times 1927 per share earnings. Of course it is speculative, and an investment in it is based on the present tariff policy of the United States government rather than on fundamental economic considerations.*

THE GREAT WESTERN SUGAR COMPANY

THE Great Western Sugar Company in the crop season just ended is understood to have produced over a billion pounds refined sugar from beets in the United States. It is the largest and probably the lowest cost producer of beet sugar in this country and is the principal beneficiary of a duty of 1.76 cents a pound against Cuban raw sugar and of an even larger duty against sugar coming from other foreign countries. Naturally, stockholders have reason to expect the corporation to be prosperous.

Although the common stock has been split up twice in the past five years, once four for one and once three for one, there are but 1,800,000 no par value shares issued in addition to the 150,000 shares of $7 cumulative preferred. Thus preferred dividend charges are about one-tenth of a cent a ton on the basis of last year's output,

and in 1927 output was about 555 pounds per common share issued. Assuming one pound of refined beet sugar equal to one and a quarter pounds of Cuban raw sugar, the tariff protection granted by the government to Great Western sugar is about 21 million dollars a year, a sum equal to more than $11 a share on the common stock after allowing for preferred dividends.

Actually the company earned but $1.29 a share on the present common capitalization in the year ended February 28, 1927, on a production of 933 million pounds; and unless there is a decided improvement in the refined market during the latter part of December, January and February, net profits for the year to end February 29, 1928, will be less than the current dividend requirement of $2.80 a share on the common. Evidently, Great Western Sugar's earning power is entirely dependent on the tariff. Without a high protective tariff the company could not compete with Cuba and the other cane growing countries.

Great Western entered its new fiscal period last March with large inventories which it was able to liquidate on an advancing market, but recently severe competition from cane sugar refining companies in a part of its territory has resulted in a serious impairment of the margin of profit. The company, however, is in excellent financial position. Its cash balance is large and its physical properties are in splendid condition. There is no reason to feel that the dividend is in immediate danger.

The preferred stock is a high grade risk for a business man, but the company's earning power is too dependent on the tariff to make the issue of investment quality. The common currently is selling near its low for the year, offering a return of 7.7% on the investment, and appears to be a good speculation on the theory that the dividend in all probability will be continued and that some time during the next year the sugar situation will be more favorable to the company than at present.

THE CUBAN-AMERICAN SUGAR COMPANY

THE annual report of Cuban-American Sugar Company for the year ended September 30, 1927, will be made public about the time this article appears in print. Probably the company's showing will compare favorably with last year, for the Cuban government restrictions do not appear to have been as severe in the case of this organization, controlling older cane fields than some of its competitors, as in the case of companies like Punta and Cuban Cane. The dividend of $1.00 a share on the 1,000,000 shares of common ($7,893,800 of 7% preferred and $8,850,000 of 8% bonds senior to it), on the other hand, probably will not be earned by a very wide margin, for production costs seem to be a little higher than a few years ago and the profits of the refining properties unquestionably have felt the

same influences which have cut down the net of American Sugar Refining.

It was well established on the island to take advantage of the favorable sugar markets of 1920, 1923 and 1924 and paid liberal dividends, gaining the reputation of being the soundest of all the large Cuban producers; but there is reason to suppose that the cane producing properties now leave something to be desired—especially in comparison with the new properties of companies like American Sugar, Punta Alegre, Guantanamo and Cuba Cane. Figures concerning comparative production costs would be most interesting, but, unfortunately, are not available.

Cuban-American has the advantage, however, of a moderate capital structure. The company's total mortgage debt is only a little over 9 million and preferred dividend requirements are but $552,666 a year. In 1926 refined output was 294 pounds per common share and raw production 615 pounds per unit of common capital. Not a very large margin of profit is needed to return earnings of the junior capital obligation.

The company's 8% bonds, due in 1931, *are a sound investment; and a set of conditions which would put the preferred dividend in serious jeopardy does not appear to be in prospect. The common dividend is not any too well protected, and the common stock perhaps would not rise as rapidly in a favorable market for sugar shares as an issue like Punta.*

CHILDS CO.

(*Continued from page* 433)

$2.02 on the common. Unless there is considerable improvement in the final quarter, the company will not do much more than cover its cash dividend requirements.

There are factors to consider in connection with the earnings situation. It is not easy to appraise the true earning power of an enterprise of this type, which is undergoing continual expansion financed in large part out of current income. If net income were to be taken at face value, its trend during the last decade would appear rather unprepossessing. With the exception of 1920 and 1924 it has remained within a range between 1.5 million and 1.7 million, although volume of sales, in the meantime has increased well over 50%. It might be supposed from this that the company was receiving no benefits from expansion, until account is taken of substantial gains in real estate holdings, in annual charges for depreciation, and in miscellaneous reserves of various kinds.

As of June 30 last, real estate was carried on the books at 10.6 millions as against 8.8 millions a year and a half earlier. Outstanding mortgages in the meantime increased from 3.4 millions to 4.4 millions. Comparisons with earlier years cannot be made as real estate was formerly included in property account, but when it is considered that aggregate property account less depreciation at the close of 1923 was only 10.8 millions inclusive of real estate, it is evident that increase in real estate values has run into the millions even on the basis of book value which is not at all representative of actual market value. Growth in assets cannot be fully accounted for by capital increases and surplus earnings over dividend requirements, hence, the assumption is not unreasonable that a liberal use has been made of income for items which could be legitimately charged to capital.

Nineteen twenty-seven has been an admittedly poor year and cannot be taken as a criterion for the future as far as the restaurant business is concerned. Unseasonable weather during the late spring and summer has had a depressing effect upon business, particularly at the resorts, where the burden of expenses without compensating revenues has been a conspicuous factor in reducing the margin of profit. With normal sales from this quarter, gross earnings no doubt would have shown even greater gains in line with expansion in the number of operating units, and net earnings would not have shown the same reactionary tendency. In other words, Childs is facing conditions, wherein any change should be for the better, and which are by no means representative of the average to be expected over a period of years.

Outlook

Common stock capitalization is subject to frequent change owing to the quarterly distributions of stock dividends. Allowing for the year-end payment, the number of shares outstanding will be close to 360,000. Prior obligations consist of funded debt of approximately 7.8 millions divided between short term notes and real estate mortgages, and 50,000 shares of 7% cumulative preferred. The preferred habitually sells on a low yield basis and possesses real investment merit. Public interest in the affairs of the company is largely in the common stock, the only one of the securities with a New York Stock Exchange listing, although, as already noted, even the common has yet to be the recipient of any great amount of public interest, and its action suggests an entirely natural market uninfluenced by manipulative tactics. The stock has moved within a range of 17 points during 1927. It underwent a decline of considerable proportions upon announcement of the poor earnings for the third quarter, and at this writing little or no recovery has taken place. At current levels around 53 it is within five points of its low for the year.

Under these conditions the shares at present appear well adapted to the purposes of the investment purchaser who is not concerned with transitory movements and who is in a position to look ahead two or three years. In the event of unfavorable action on continuing the stock dividend, a further reactionary tendency may be witnessed, which would provide an even better opportunity, as stock payments of this character, after all, have little real significance, and their absence would in no way detract from the prospects of this conservatively managed and expanding chain system wherein real estate developments play so important a role.

THE END OF AGRICULTURAL DEFLATION

(*Continued from page* 411)

portation and middle trading that always goes with large volume of agricultural production.

The rush of the spring wheat farmers to cash in on their bumper crops of high grade grain before prices receded gave the northwestern railways a well-handled peaked hump of traffic in August and September, resulting in tremendous railway activity. The movement of surplus wheat down the Great Lakes from Duluth was extraordinarily heavy. For the first forty-eight weeks of the year, the railways of the northwestern district of the American Railway Association moved a total of 6,804,961 cars, as compared with 6,975,502 for the like period of 1926, but the cars received from connections, which figure is a measure of buying and consumption was 2,744,919, the record for five years. As further showing increased consumption in the northwest, it is significant that the miscellaneous products loaded in that section during the first 48 weeks of 1927 also scored the five-year record, as did also less-than-car-load-lot shipment. Grain shipments were 599,592 cars, being 89,000 cars larger than in 1926.

The farmers are again buying land in North Dakota and Montana. The first three months of the crop year saw $220,000,000 pour into the hands of the farmers of the middle northwestern states. The big spring wheat crop has favored flour-milling. Bank deposits are rising, the farmers are again making productive loans on a large scale, sales of agricultural implements are increasing, retail trade is better, agricultural exports are heavy.

Finally, there is the supremely important fact that the price level of agricultural commodities begins to approximate that of the commodities for which they are exchanged. Congress has not yet enacted an agricultural equalization measure but economic adjustments are working toward equalization. The purchasing power of farm products is now 92, taking the five-year pre-war average as 100. This is a gain of 35 points compared with the depth of the depression in 1921. Purchasing power is, of course, the true measure of the value of production.

The gains of this year, both in ac-

tual money realizations and in purchasing power, have a significance beyond their present implications. The farmers are not yet heavy spenders. They are accumulating reserves, paying debts, improving their plants, operating economically, making their occupations as self-contained as possible. All of this will blossom into liberal consumption of purchased goods during 1928 and following years, and a sustained buying power that will not be greatly impaired from year to year by current crop vagaries. As the farmers come into their own again, there may not be so much excessive prosperity for the industries and trades that have added to their share in recent years at the expense of agriculture, but it will be a better based and more equitable prosperity—a prosperity that will be generally diffused and that will not tend to destroy itself by its lack of national balance.

TRADE TENDENCIES

(Continued from page 442)

the future. Steel companies will report smaller earnings for 1927 as a result of poor marketing conditions and not because of declining output.

Unfilled orders of the Steel Corporation as of November 30, gained 113,404 tons. The total bookings—3,454,444 tons—is the largest reported since May and represents a gain of approximately 400,000 tons from that month which was the low point of the year. While this is a good showing, it must be remembered that decreased production and shipments in all probability accounted for a good deal of the improvement as well as the increased rate of incoming orders.

As the new year opens, a number of industries which consume large quantities of steel in the making of their products will be in a position to speed up operations. Chief among these is the automobile industry. Here, of course, Ford's return to mass production is an important factor. Implement makers will benefit from the improving situation in agricultural regions, which will in turn be reflected in larger steel demand. Structural steel orders are in good volume. The present rate of building activity is very favorable, in view of the season, and no marked falling off in operations is likely. Not much can be expected from the oil industry in the first quarter, although later developments, may necessitate a good-sized buying movement. Railroad commitments involving steel for equipment purposes are appearing in substantial lots. Rail buying continues heavy, and inquiries for structural steel to be used in railroad bridge construction have been numerous. Freight car buying is of better proportions, with prospects that the first quarter will witness more specifications.

Pig iron sales have not shown any

marked change. Inquiries are not as active as the preceding fortnight, indicating that consumers will wait until after the holidays before filling first quarter requirements. Prices are steady with prospect of advancement.

CHEMICALS

Outlook Continues Favorable

For most industrial chemical companies, particularly those which occupy a leading position in the industry, 1927 was a year of remarkable activity. In spite of the fact that consuming outlets during the Fall months showed a tendency toward quieter participation, manufacturers have been able to hold operations at a fairly high level. This was due chiefly to the method of procuring business, a major part of which was accounted for on a contract basis. As a result of an improved price structure, profit margins have been generally favorable, and the closing year was undoubtedly the most successful one the industry has seen in some time. This showing is decidedly satisfactory in view of the keen competition not only among manufacturers in this country but also from European producers. It may well be, however, that contract prices for 1928 will more closely reflect this situation in some lower revisions. On the other hand, chemicals enter so wide a variety of industries that the generally favorable outlook for business in 1928 naturally holds promise of very substantial sales volume. In the long run prospects of larger volume are believed good enough to offset price declines.

Carbon black and industrial alcohol are two divisions in which considerable betterment may be anticipated. Carbon black companies, due to the flood in the Mississippi Valley, were obliged to cut production, and earnings suffered a sharp decline. Spot prices, however, enjoyed an advance and the nearby outlook is for an improved situation, as the rubber industry is likely to continue a large consumer.

Unfavorable marketing conditions in the first half of 1927 will find reflection in the earnings of alcohol companies. But this branch of the chemical industry is in a much better position than it has been for the past two years. The chief trouble has been that of overproduction, resulting in excessive stocks and declining prices. Owing to high raw material costs and the apathetic attitude of the trade in general in 1927, output has been considerably curtailed and stocks brought down to a corresponding level. Alcohol companies consequently should benefit materially from the improved statistical position, advancing prices, and cheaper raw materials.

The two important sulphur producing companies are still further increasing their output. Prices have been strong throughout the year; as a result, these companies have enjoyed an exceedingly prosperous year. The future seems equally bright, since production costs are well under the existing level of quotations. A further advance in contracting prices for 1928 is a strong probability and there is no indication that consumption will show a diminishing tendency. Both companies have added considerably to their already ample potential supplies.

Fertilizer companies should find conditions more to their liking in the 1928 selling season which begins in February. The fiscal year closing June 30, 1927, was the most depressing one fertilizer companies have encountered since 1920, although the intervening years have not been much better. Poor agricultural conditions and low commodity prices were chiefly responsible for this situation. Cotton growers have stood the brunt of this slump and prices of the staple did not approach a level which might justify producers in making full specifications. Recovery in the South, however, has greatly altered the picture. The price of cotton is almost 8 cents above what it was last year and growers should have no difficulty in raising sufficient money to cover fertilizer needs.

Competition continues keen among manufacturers and prices of fertilizer materials have not undergone any marked changes. But better selling conditions and lower raw material costs suggest a stronger and rising market in the near future.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$5	Air Reduction	$1.25	Q	12-31	1-15
$3	Am. Steel Fdy. cm.	$0.75	Q	1-3	1-14
$8	Am. Type Fdrs. cm.	$2.00	Q	1-5	1-14
$7	Am. Type Fdrs. pf.	$1.75	Q	1-5	1-14
$5	Atch., Top. & S. Fe pf.	$2.50	SA	12-30	2-1
$6	Balt. & Ohio cm.	$1.50	Q	1-14	3-1
$4	Balt. & Ohio pf	$1.00	Q	1-14	3-1
$6	Bklyn.-Manh. Tr. pf.	$1.50	Q	12-31	1-16
$3	Canada D. G. Alt.	$0.75	Q	12-31	1-16
$5	Con. G. of N. Y. pf.	$1.25	Q	12-30	2-1
$1	Dome Mines	$0.25	Q	12-31	1-20
$6	Firestone Tire cm.	$1.50	Q	1-10	1-20
—	Firestone Tire cm.	$2.00	EXT	1-3	1-10
$4	Fox Film Corp.	$1.00	Q	12-30	1-16
$4	Freeport Texas	$1.00	Q	1-4	2-1
—	Freeport Texas	$0.75	EXT	1-4	2-1
$6	Gen. Motors 6% deb.	$1.50	Q	1-9	2-1
$6	Gen. Motors 6% pf.	$1.50	Q	1-9	2-1
$7	Gen. Motors 7% pf.	$1.75	Q	1-9	2-1
$3	Gold Dust cm.	$0.75	Q	1-17	2-1
$4	Kayser, Julius, cm.	$1.00	Q	1-16	2-1
$3	Magma Copper	$0.75	Q	12-30	1-17
$6	Nat'l Biscuit cm.	$1.50	Q	12-31	1-14
$3	Nat'l Cash Register	$0.75	Q	12-30	1-15
$8	N. Y. Central R. R.	$2.00	Q	12-30	2-1
$5	Northern Pacific	$1.25	Q	12-30	2-1
$6	Otis Elevator cm.	$1.50	Q	12-31	1-16
$6	Otis Elevator pf.	$1.50	Q	12-31	1-16
$8	Peoples Gas Lt. & C.	$2.00	Q	1-3	1-17
$8	Southern Ry. cm.	$2.00	Q	1.3	2-1
$3½	St. Gas & Elec. cm.	$0.87½	Q	12-31	1-25
$4	West. E. & M. cm.	$1.00	Q	12-30	1-31
$4	West. E. & M. pf.	$1.00	Q	12-30	1.16

PRACTICAL POINTERS FOR THE PROSPECTIVE HOME BUILDER

(*Continued from page* 439)

yet livable. Screens, shades, weatherstripping, grading, shrubbery and trees, and a host of other things enter that you didn't dream of.

Even though these expenses are somewhat intangible while planning the operation, adequate provisions should be made for them in the financial planning.

The construction of the house is the final step in this development. On this depends the ultimate satisfaction of the home owner. Whether buying or building the principles of good construction should be studied from houses in various stages of building.

Build well. Operation builders will sacrifice twenty years of a house's life to save twenty dollars. The difference between the good and the shoddy in a house is only a few hundred dollars. The first thing dependent on good building is maintenance costs. Build to keep this low. My present house was built with this specifically in mind. Maintenance and repairs on this will not average me twenty-five dollars a year for the next ten years. The second thing dependent on it is the resale value. A shoddily built house quickly looks "second hand" and sells badly.

The first point about a house is this —it should please the owner, the second point of importance is that it should please others or that it will sell. To sell well, a house should be beautiful. Go into a furniture store and price two tables, probably of equal manufacturing cost but of varying beauty. The price of the more beautiful will probably be double that of the other. Build this principle into your home whenever possible and you will have an excellent insurance policy for value.

My final suggestion is this, put an unlimited amount of study into your new home. It can be attained without this—but the study pays. I do not believe that I stretch the point in saying that I have studied each house that I built a year before commencing.

Important Corporation Meetings

Company	Specification	Date of Meeting
Associated Oil	Directors	1-3
Loose-Wiles Biscuit	Directors	1-3
Oppenheim Collins	Directors	1-3
Timken Roller Bearing	Directors	1-3
Western Pacific R.R.	Directors	1-3
Eureka Vacuum Cleaner	Dividend	1-4
Federal Light & Traction	Directors	1-4
Westinghouse Elec. & Mfg.	Directors	1-4
Amer. Machine & Foundry	Pfd. Div.	1-5
Magma Copper	Directors	1-5
May Department Stores	Directors	1-5
Allis-Chalmers Mfg.	Com. Div.	1-6
General American Tank Car	Directors	1-6
Ahumada Lead	Directors	1-10
Cudahy Packing	Annual	1-10
Jewel Tea	Directors	1-10
Tenn. Copper & Chemical	Directors	1-10
Air Reduction	Directors	1-11
New York Central	Directors	1-11
Woolworth, F. W.	Com. Div.	1-11
U. S. Realty & Improvement	Directors.	1-12
Simms Petrol	Directors	1-13

INSURANCE-THRIFT PLANS MAKE SAVINGS COMPULSORY

(*Continued from page* 441)

them accumulate a definite sum of money over a period of years. And in case of both of them, should the insured die, the beneficiary at once receives the full amount of the intended fund. Yet, note the difference in death benefit in the attached schedules. By the tenth year, the beneficiary would receive almost double what the endowment policy would pay.

To understand the reason for this discrepancy one must compare the "cash value" columns. The effect of these cash values is only felt when cancelling the policy and withdrawing the funds. In case of death, however, these cash values have no value at all and the policy with the low cash value pays as much as the one with a high cash value, if the face amount of insurance is the same.

This to be sure is the outstanding advantage of the thrift plan over the endowment policy. But there are also others.

The thrift plan is paid for monthly; the endowment insurance premium is payable in advance for the full year. If paid semi-annually or quarterly, interest is added. The thrift plan has first year withdrawal values; the other has not. At the end of the 10 years when you collect the endowment policy, you have no more insurance. Should you desire to renew your insurance you must be an insurable risk and you must pay the rate at the attained age. Under the thrift plan you can withdraw your bank balance, and maintain the insurance policy paying the premiums at the original age.

The question now arises, granting that the idea is a good one, is it necessary to buy a "ready made" plan? Could not the insured do all this himself? Buy the insurance himself and choose the method of saving himself?

The answer is "yes." And furthermore there are distinct advantages in arranging this combination personally. These may be summarized as follows:

(1) You can choose the life insurance company you desire—one that has a low net cost.
(2) You can invest your money in a building and loan society at a higher rate of interest than afforded by any of the thrift plans.
(3) You save the service fee, usually ½% from the income and also the thrift fee of about $20 usually charged in case of discontinuance of the plan.
(4) Your money need never be idle, as it is in case of those thrift plans where $100 must be accumulated with which to buy 1st mortgage certificates.
(5) In case of withdrawal you can arrange to get cash, whereas under some of these plans, you obtain mortgage certificates that are not readily marketable.

There is but one disadvantage to arranging one of these plans personally instead of using a "ready made" plan. That is a psychological one—"Will you do it?" Human beings are naturally lazy and neglectful and satisfy themselves with mere intentions. It is therefore often wiser to buy a "ready made" plan.

But in doing so, one can at least be careful and choose one that is more satisfactory than others.

It is well, therefore, to take the following precautions in buying one of these thrift plans.

(1) Know with whom you are making the contract and be satisfied that the various parties to the contract are absolutely reliable.
(2) Make sure that should you desire to withdraw, you will not be limited in any way as to receiving cash or its equivalent as to various unnecessary fees.
(3) Talk to an officer of the bank acting as depository and let him confirm the statements made by the salesman.
(4) Above all, understand the plan thoroughly before going into it. Know what your insurance will cost and what your net balance will earn.

Entering the plan with open eyes, there is no reason why you should ever regret it. In fact, you will be very thankful to yourself after the stated period has ended and you have accumulated an ample fund for the purpose you intended.

HAVE OIL SHARES SEEN THEIR "BOTTOM"?

(*Continued from page* 418)

far this year, although not up to par with their 1926 earnings.

This discriminatory grouping of the companies is substantiated by the preliminary reports covering six months' and nine months' operations which are now available for study. Even the preliminary reports while they disclose this tendency in earnings, do not tell the whole story. All of the companies (producer, refiner and distributor alike) are carrying a tremendous supply of both crude and refined products which at present price levels represent a substantial paper loss. And the poor current earnings will be even worse after inventory losses are written off in the income statements for the full year.

But the petroleum industry, while its current condition is undeniably very weak, is, nevertheless, fundamentally sound. For in spite of the severe depression into which the industry has fallen, the markets for all petroleum

(*Please turn to page* 476)

Building & Loan Associations

We will be glad to answer questions regarding the protection afforded to investors in Building & Loan Associations by the laws and regulations of the states in which they are located, Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 Broadway, New York City

Florida

8% and safety

This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent dividends, payable 2 per cent, quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Building and Loan Association"
Member "U. S. League of Local Building and Loan Associations"
Member "American Savings, Building and Loan Institute"

APRIL 5, 1921, $0.00
MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MARCH 31, 1924, $500,130.44
MARCH 31, 1925, $750,097.74
MARCH 31, 1926, $1,208,168.28
SEPT. 30, 1927, $1,810,083.11

Authorized Capital $5,000,000

Application for loans far exceed our available funds. We respectfully solicit your investments.

HOME BUILDING & LOAN COMPANY

Under State Supervision

16 and 18 Laura Street, Jacksonville, Fla.
Phone 5-6025

Colorado

7% GUARANTEED INCOME

Payable Either Quarterly or Semi-Annually

Short-term full-paid certificates maturing in five years. Secured by first mortgages on homes in and around Denver plus a conservative contingent reserve fund and rigid state supervision.
Issued in units of $50 to $5,000.
Interest to $300 exempt from Federal income tax.

Write for booklet MW

THE OLD CONSERVATIVE
The Bankers Bldg. & Loan Ass'n.

1510 Glenarm St. Denver, Colo.

Member Colorado State League and United States League of Building and Loan Associations
The Colorado Bankers' Association.

The Magazine of Wall Street rated Colorado Bldg. & Loan Ass'ns "A"

Texas

8% NON-TAXABLE INVESTMENTS

Under State Supervision. Interest payable quarterly in cash.

TEXAS PLAINS BLDG. & LOAN ASSOCIATION

107 West Sixth Street
AMARILLO, TEXAS

New Jersey

Dividends for the past 4 years of 7% While many yields fell

Within the past year, dividends and interest on seasoned bonds have been generally lower than for five years before.

Investors have had to seek not only more warily, but for investment opportunities that yielded even a fairly good rate.

The West End B. & L. Association has paid dividends of 7% for the past four years—has remained safe and sound as ever; with ever rising assets . . . now $37,000,000.

Write for booklet

THE WEST END BUILDING & LOAN ASSOCIATION OF NEWARK, N. J

866-868 BROAD ST. NEWARK, N.J

Assets over $37,000,000. Under the supervision of the Department of Banking and Insurance of the State of New Jersey

Colorado

Colorado's Largest Permanent Capital Assn. OFFERS 7% Full Paid Certificates

Bond form, $100 to $10,000 with interest coupons attached, payable quarterly or semi-annually, 5-year term. Protected by conservative home loans repayable monthly—plus our large permanent capital. Under State supervision. *Write for folder "C".*

The SILVER STATE Building and Loan Association

1648 WELTON ST. DENVER, COLO.
Members
Colorado State and United States Bldg. and Loan Leagues and Colo. Bankers Assn.

Florida

ONE OF

Florida's Safest Investments

Shares in the

Lakeland Building & Loan Association

ASSETS

More than $900,000.00

We have never failed to more than earn and pay our dividend which is payable 2% quarterly January 1st, April 1st, July 1st and October 1st of each year. Your investment is secured by first mortgages on homes only. We have shareholders in nearly every state. Write for descriptive literature. Incorporated 1921.

P. O. Drawer 629 M.-W.

LAKELAND FLORIDA

products are strong in every respect except price. Gasoline sales, which represent the largest source of oil company's profits, are growing in volume at a very satisfactory rate and in all probability will continue to expand at a rate close to the ten per cent annual growth experienced in past years. Fortunately, the consumption of kerosene and lubricants and especially gas and fuel oils is absorbing a sufficient volume of crude to prevent absolute chaos in the producing end of the business. The efficiency standard to which the refining division has been raised in recent years will stand it in especially favorable stead when production and the markets resume their normal state of balance.

The year 1927 has ended with something like 550 million barrels of crude oil and refined products in storage, which will prevent any satisfactory restoration of prices for at least the first half of the new year unless miracles occur in the producing division of the industry in the meantime. This is a record figure for surface supplies and represents additions of about 75 million barrels to a previous state of generous stocks on hand. Psychologically the petroleum industry is in a much more favorable position than it is statistically. The leaders in the oil business fully appreciate the seriousness of the present state of things and have made progress in their efforts to curtail production to an extent undreamed of a few years ago. While only partially successful, the drilling restrictions in the Seminole and more recent agreements in the West Texas district are the only favorable contributions of the year 1927 to the petroleum industry.

The outlook for the oil securities is not as unfavorable as the outlook for the industry, which might seem to be damning these issues with faint praise but is, nevertheless, a fact. Somewhere in the future there will be a real old fashioned "oil stock boom" which is rendered none the less of a reality because it is not in the immediate future. At the moment, petroleum securities are hovering near their low points for the past two years, except for the shares of a few of the large refining companies. Whereas the oil industry may have not yet seen its worst days, it seems quite probable that the shares of the leading companies are about as low as the inherent appetite of the public for oil stocks will permit them to go. In fact this potential buying power for oil stocks which comes into the market on the slightest indication of improvement is an important stock market factor. Its influence has already been witnessed in a "false start" that the oil shares took in the late summer and the "premium" at which the better oil stocks are now selling in comparison with the market performance of the oil stocks as a group.

In the early summer of 1927 THE MAGAZINE OF WALL STREET took a bold position relative to the oil shares and advised its readers not to sacrifice the good oil issues because of the clouds that appeared in the industry's horizon and the discouraging performance of the oil shares in the market. Since that time the shares have more than held their ground as a group and, although "the worst" has since occurred in the industry, we see no reason to alter our position at this time. Individual comment on the most important oil shares appears in tabular form on page 419.

EFFECT OF GOLD EXPORTS ON MONEY, BUSINESS AND SECURITIES

(Continued from page 413)

and business question in the form: What would be the effect upon our business and finance of our losing specified amounts of gold?

In answering this query we need first of all to ascertain what our gold supply is. Secretary Mellon, as we have seen, estimates it as approximately $4,500,000,000, and of this sum, the gold on hand with the Federal reserve banks may be stated in round numbers as $3,000,000,000 or roughly speaking two-thirds of the total. So far as reserve banks are concerned, they could easily ship some hundreds of millions of gold without in any way altering their daily operations or responsibilities in any fashion other than the change in their "ratio of reserve." They have a very large lending or discounting power which is unused, and which some authorities have computed at many times the amount of accommodation now outstanding on their books. Just how much they "could" grant in this fashion would depend of course entirely upon the kind of paper that was brought to them for discount and the policy that they were disposed to pursue in admitting it to rediscount.

The trouble, of course, with this kind of reasoning is that, as is so often the case, it treats the Federal Reserve Banks as if they were an entirely separate and independent set of institutions. As a matter of fact, they represent the other banks, hold their money, and have in charge the reserves of the entire country.

At the present moment the combined national banks of the country have on their books demand deposits subject to check amounting to about $10,000,000,000, while the entire banking system of the country has demand deposits amounting to about $24,000,000,000 with savings deposits of $27,000,000,000 more or a total of $51,000,000,000. Roughly speaking, demand deposits have doubled since the war. Of course this shows how far the reserve which is being carried by the reserve banks and which must be regarded as protection for the entire outstanding deposits of the country is adequate. The banks themselves have on hand in their vaults not much more than $35,000,000 in gold. Their reserve is with the Federal reserve banks. So, if we should begin "losing" gold or in other words shipping it out of the country, it may be expected that the bankers of the nation would want to have the flow controlled or restricted to such an extent as would seem to be consistent with safety.

There is, as is well known, already a very widespread demand for the raising of the rate of discount particularly in the west and southwest. Such an advance could hardly be avoided if any considerable outflow of gold were to take place. Our total shipments of gold since November 1 of this year have been approximately $100,000,000. Assuming that, in ordinary circumstances, a dollar of gold in the United States results in a possibility of maintaining about $10 of deposits on the books of banks, the shipment of $100,000,000 of gold appears to mean a reduction in credit sustaining power of about $1,000,000,000.

If England (or any other country) were to ask us for a sum equal to the total of the gold credit which Great Britain negotiated here at the opening of her gold standard movement ($300,000,000) and if we were to ship that amount we should be sending the gold ordinarily held in reserve against about $3,000,000,000 bank of credit in the form of deposits. Such restraint as might be imposed upon this movement (if any) by raising the rate of discount at reserve banks or by raising the rate at member banks would of course have the effect of cutting down the amount of credit actually on the books of banks. If no such restraint be imposed it will come more slowly but quite as certainly by individual bank action.

So we may sum up the situation by saying that while we can theoretically send abroad a great deal of gold if we want to, we must stand ready to pay the expense of so doing by curtailing the amount of credit we grant at banks. We "can" do pretty much anything we want to in the way of gold shipments, if we remember that whatever we do do, we "must" pay for in reduced credits. This, moreover, is not a matter over which the Federal reserve banks have any permanent control whatever. If the banking public, and the community generally, feels that conditions are such that rates ought to move up they will move up, and credit will be shortened. The reserve banks may stand ready to discount or may buy bills and Treasury certificates more largely, at the same time they are shipping gold but they cannot be expected to produce the effect that some assert—that of neutralizing the effect of gold shipments. That effect is automatic. If it were not so, the gold standard would not be the gold standard. Banking methods can never "offset gold movements" nor create a situation which is the same as if they had not occurred. All that they can do is to smooth out or relieve the effects to be expected from them. Their influence, whatever it be, is temporary and is quickly lost when the expected gold reaches its destination, and is set at work in foreign markets whence its influence is reflected here in changed conditions of finance and trade.

Results of Reduction of Credit

When we say that the effect to be expected from a large gold movement would thus be eventually a raising of rates at reserve banks, a prompter increase elsewhere, with consequent tightening of credit, we have more than an abstract situation before us. What credit would be tightened? Experience has shown that loans on collateral security (brokers' loans and others) short term loans made by banks to liquid customers and other paper of the same kind are the items in the bank portfolios that are first affected by curtailments of credit of the kind referred to.

Another effect that is common is that of inducing persons who in times of expansion have "money in the bank," i. e., are able to obtain credit at banks, to refrain from buying as they do during the flush period. In our case, such persons would probably refrain from buying bonds as freely as they otherwise would and they would be particularly likely to diminish their purchases of foreign bonds. The tendency, therefore, of such a gold outflow as we have spoken of would be to cut off short term credit loans on collateral, brokers' loans and bond buying. Such a situation would result perhaps in a more wholesome stock market situation but the process of readjustment would to say the least be painful if not something more than that. The reserve banks might inflate credit to afford a basis of larger market loans as they often have, but this would be only temporary in effect. As soon as market conditions abroad felt the effect of the gold transfer our trade and exchange would transfer it back here. As to the ultimate effect on business that might be even more serious than on the stock market.

By no means, however, should we assume that such readjustments toward a lower level of prices in the market and a lower volume of production or business as will come from gold shipments would not be desirable. That is entirely another question. The point to bear in mind here is that the "larger plan" of shipping gold abroad referred to by Secretary Mellon points directly toward a readjustment in business of this kind.

That Secretary Mellon and those who are responsible for the "larger plan" believe that they can put it into effect while still maintaining the inflated credit situation of the United States and so neutralizing the effect of gold shipments, is very probable. It is not likely that mere philanthropic regard for Great Britain would prompt them to pull the present props out from under the business structure. But even the layman is permitted to wonder whether either the Treasury, the Reserve system or anybody else can successfully run counter to the experience of the past in connection with banking and money in practically every country. Belief that, as one current banking commentator has expressed it, "The reserve banks are able to protect the market against stringency resulting

from gold withdrawals" is purely gratuitous. There has been no recent stringency resulting from gold withdrawals because the only gold movements has been out of and into the great stock held in reserve banks, and as Mr. Mellon notes have caused no net loss in three years. They have occurred in most cases as a result of the changes of note policy or the foreign negotiations carried on by the Reserve System, and have been a mere moving of coin back and forth in a kind of financial play. That is not what is now proposed.

Where Our Gold Is Going

Secretary Mellon in his report already referred to has furnished an interesting survey of the distribution of our movements of gold during 1927 as follows:

Gold exports and imports or their equivalent in 1927

[In millions of dollars]

Imports or their equivalent:	
Imports from—	
Canada	53
England	39
France	21
Japan	20
Holland	15
Australia	22
Chile	7
Mexico	5
Other countries	12
Purchased abroad	62
Total	256
Exports or their equivalent:	
Exports to—	
Brazil	38
Argentina	33
Germany	14
Canada	6
Mexico	6
Other countries	9
Sale of gold held abroad	62
Increase in gold earmarked	131
Total	299

From this showing it will be noted that omitting the earmarked gold operations in which are merely a bookkeeping transaction and omitting the movements between the United States and countries which merely interchange gold with us (often shipping gold here for refining) the balances are not at all so heavy as appears. The transactions that have taken place have been for the most part arranged by bookkeeping between the different countries or by "earmarking" in very much the same way that the gold settlement fund at Washington takes care of gold settlements between different parts of the country and avoids actual movements. Nobody thinks for a moment that there is likely to be a "stringency" in California because the Federal reserve bank of San Francisco has a reduced balance on the books of the Federal reserve bank in Washington. There is no reason why any such stringency should occur as the result of mere changes in the supply of gold in the reserve banks (and they are the only source of any considerable supply in the United States).

The question at issue in this whole matter is much more difficult than that of supplying a "cushion of credit," or "filling the gap" left by a shipment of gold, or "preventing stringency." All these expressions are based upon the theory that a certain amount of gold or credit has to be kept at a given place or in a given country in order to have business go on and if it is so kept, all will be well. The real issue at stake immediately is whether the movement of gold out of this country and into some other at the present time would or would not result in a local change of attitude on the part of financial houses and banks and money lenders and of similar institutions abroad as a result of which we should have a distinct reorganization of business and a shifting of prices. If we did not get that immediate result from the movement of gold our failure to do so would be simply deferred for a short time and this postponement would come as the result of a policy of deliberate inflation carried on by the reserve banks for the purpose of offsetting the usual economic effects of gold changes. Before long the changed money market conditions abroad caused by the use of the gold sent across the ocean would reach here. The Reserve banks could not turn back the current of events for long and they would not be able to do it very perfectly even while they were at work. This is the conclusion legitimately to be drawn from past experience of the kind. Such inflation as may be supplied by reserve or central banks does not moreover take effect upon exactly the same branches of business as those that have been affected through reductions of credit or shrinkages of loans consequent upon altered policy on the part of lenders. Even under the best conditions, serious changes would have to be expected in many places of our credit and price position as the result of the movements in question.

The Effect of Gold Movements

When gold movements occur as the result of changes in business conditions they result in cutting off credit and reducing demand and buying power and so they usually tend to lower prices. When they occur as the result of arbitrary negotiations between central banks the question at issue is whether the commercial banks at large believe that conditions were substantially as they were before or whether they are inclined to alter their lending policy in accordance with altered reserve conditions. They may act on their opinion at once or wait till forced to do so, but act they must. The United States today is on a very low reserve basis. It has a vast amount of gold—far more than its share—and the rest of the world ought to have a part of it. Such a shift should be made; but when made it will result in those serious changes in business conditions and prices which eventually follow in all such instances. They may not come instantly, but they come as soon as economic forces have had time to exert their influences fully. To furnish the amount of gold which England is expected to need may be likely to take away the basis of about $3,000,000,000 of banking funds. Ultimately this will mean a withdrawal of that amount of credit from some element or elements in the community with corresponding readjustment pains. We must pay the price of the inflation of the past few years, when we begin to cut away its basis. When shall we begin? Are all our arrangements made for meeting the consequences?

Note—We should be glad to receive communications from our readers on the subject contained in the above article and should be glad to publish some of these, whether in agreement with Mr. Willis' ideas or not.

IDEAS - SERVICE - COMMODITIES

THE OPPORTUNITY EXCHANGE

A Clearing House For Business Men

MEN - AGENTS - BUSINESS OPPORTUNITIES

Printing

LITHOGRAPHED LETTERHEADS

$1.25 per 1000

IN LOTS OF 50,000
25,000 at $1.50—12,500 at $1.75 or 6,250 our Minimum at $2.25 per 1000
Complete—Delivered in New York
ON OUR 20 LB. WHITE PARAMOUNT BOND
A Beautiful, Strong, Snappy Sheet
HIGHEST GRADE ART WORK AND ENGRAVINGS
GEO. MORRISON COMPANY
552 West 22nd St. New York City
SEND FOR BOOKLET OF PAPER AND ENGRAVINGS

Dividends and Interest

DODGE BROTHERS, INC.

The regular quarterly dividend of $1.75 per share on the Preference Stock of the Corporation has been declared payable January 15, 1928, to stockholders of record at the close of business December 27, 1927.

R. P. FOHEY,
Secretary

American Type Founders Company

Jersey City, N. J., December 14, 1927.

A quarterly dividend (No. 103) of one and three-quarters per cent on the Preferred Stock and a quarterly dividend (No. 120) of two per cent on the Common Stock have this day been declared, payable January 14, 1928, to stockholders of record at the close of business January 5, 1928. Checks mailed by The Bank of America, Transfer Agent, 44 Wall Street, New York City.

WALTER S. MARDER,
Secretary.

SEABOARD AIR LINE RAILWAY.
Five Per Cent Adjustment Mortgage Gold Bonds.

An installment of interest on Seaboard Air Line Railway Adjustment Bonds amounting to 2½% ($25.00), represented by August 1, 1925, coupons, Nos. 61 and 62, for $12.50 each, has been declared and will be paid on and after February 1, 1928, at the office of The New York Trust Company, No. 100 Broadway, New York.

SEABOARD AIR LINE RAILWAY CO.
By F. L. NELLIS, Secretary.
New York, December 20, 1927.

THE WESTERN UNION TELEGRAPH COMPANY

New York, December 13, 1927.
DIVIDEND NO. 235

A quarterly dividend of TWO PER CENT has been declared upon the Capital Stock of this Company, payable on January 16, 1928, to stockholders of record at the close of business on December 23, 1927.

The transfer books will remain open.
G. K. HUNTINGTON, Treasurer.

MAGMA COPPER COMPANY

A dividend of seventy-five cents per share has been declared on the stock of this Company payable January 17, 1928, to stockholders of record at the close of business on December 30, 1927.

H. E. DODGE, Treasurer.
December 15, 1927.

Dividends

The Baltimore & Ohio Railroad Co.

OFFICE OF THE SECRETARY
Baltimore, Md., December 14, 1927.

The Board of Directors this day declared, for the three months ending December 31, 1927, from the net profits of the Company, a dividend of one (1) per cent on the Preferred Stock of the Company.

The Board also declared from the surplus profits of the Company, a dividend of one and one-half (1½) per cent on the Common Stock of the Company.

Both dividends are payable March 1, 1928, to Stockholders of record at the close of business on January 14, 1928.

The transfer books will not close.
C. W. WOOLFORD, Secretary.

Independent Oil and Gas Company,

Tulsa, Oklahoma.
December 10, 1927.
Dividend No. 21

Notice is hereby given that the Directors of this Company, at the regular quarterly meeting held December 10, 1927, declared a cash dividend of 25c per share, payable January 30, 1928, to stockholders of record at the close of business January 16, 1928. Books will not be closed but record only will be taken.

R. M. RIGGINS,
Secretary and Treasurer.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY.

A Quarterly Dividend of 2% ($1.00 per share) on the PREFERRED STOCK of this Company will be paid January 16, 1928.

A Dividend of 2% ($1.00 per share) on the COMMON STOCK of this Company for the quarter, ending December 31, 1927, will be paid January 31, 1928.

Both Dividends are payable to Stockholders of record as of December 30, 1927.

H. F. BAETZ, Treasurer.
New York, December 20, 1927.

The New York Central Railroad Co.

New York, December 14, 1927.

A Dividend of Two Dollars ($2.00) per share on the capital stock of this Company, has been declared payable February 1, 1928, at the office of the General Treasurer, to stockholders of record at the close of business December 30, 1927.

For the purpose of the Annual Meeting of Stockholders of this Company, which will be held January 25, 1928, the Stock Transfer Books will be closed at 3 P. M. December 30, 1927, and reopened at 10 A. M. January 26, 1928.

H. G. SNELLING, General Treasurer

LOEW'S INCORPORATED

"Theatres Everywhere"
December 12, 1927.

At a meeting held this day the regular quarterly dividend of fifty cents and an extra dividend of one dollar per share were declared on the capital stock of this Company, payable December 31, 1927, to stockholders of record at the close of business on December 20, 1927.

Checks will be mailed.
DAVID BERNSTEIN, Treasurer.

THE UNITED GAS IMPROVEMENT CO.
N. W. Cor. Broad and Arch Streets.
Philadelphia, Pa., December 14, 1927.

The Directors have this day declared a quarterly dividend of two per cent ($1.00 per share) on the Capital Stock of this Company, payable January 14, 1928, to stockholders of record at the close of business December 31, 1927. Checks will be mailed.

I. W. MORRIS, Treasurer.

Dividends

Public Service Corporation of New Jersey

Dividend No. 82 on Common Stock
Dividend No. 36 on 8% Cumulative Preferred Stock
Dividend No. 20 on 7% Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; and 50 cents per share on the non par value Common Stock for the quarter ending Dec. 31, 1927. Dividends are payable Dec. 31, 1927, to Stockholders of record at the close of business Dec. 2, 1927.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, *Treasurer.*

Public Service Electric and Gas Company

Dividend No. 14 on 7% Cumulative Preferred Stock
Dividend No. 12 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable Dec. 31, 1927, to stockholders of record at the close of business Dec. 2, 1927.

T. W. Van Middlesworth, *Treasurer.*

UNITED VERDE EXTENSION MINING COMPANY
Dividend No. 47
233 Broadway, New York, Dec. 20th, 1927.

The Board of Directors of the United Verde Extension Mining Company has this day declared a dividend of fifty cents per share on the outstanding capital stock, payable February 1st, 1928, to stockholders of record at the close of business January 4th, 1928. Stock transfer books do not close.

C. P. SANDS, Treasurer.

BAYUK CIGARS INC.

PHILADELPHIA

Quarterly dividends of 1¾% on the First Preferred stock of this corporation; 1¾% on the Convertible Second Preferred stock, and 2% on the 8% Second Preferred stock have been declared payable January 15, 1928, to stockholders of record at the close of business December 31, 1927. Checks will be mailed.

Harvey L. Hirst, *Secretary*
December 16, 1927.

OTIS ELEVATOR COMPANY

260 Eleventh Ave., N. Y. C. December 14, 1927

A quarterly dividend of $1.50 per share on the Preferred Stock, and a dividend of $1.50 per share on the Common Stock will be paid January 16, 1928, to stockholders of record at the close of business December 31, 1927. Checks will be mailed.

C. A. SANFORD, Treasurer